

NEWS: EUROPE

Brussels in drive to head off crisis with Turkey

Ankara promised it will get equal treatment on EU entry

By Lionel Barber in Apeldoorn

European Union foreign ministers yesterday sought to head off a crisis with Turkey, reassuring Ankara that its attempt to join the Union would be treated in the same way as other central and eastern European countries.

The EU statement marks an attempt to repair the damage caused this month when centre-right leaders led by Chancellor Helmut Kohl of Germany appeared to rule out Turkish membership.

The Christian Democrat snub infuriated the Turkish government, which - strongly supported by the US, Britain and France - pressed for a more conciliatory EU position ahead of the weekend meeting of EU foreign ministers in Apeldoorn, the Netherlands.

Mr Hans van Mierlo, the Dutch foreign minister, who chaired the weekend talks, said yesterday that Turkey had an association agreement with the EU going back to 1963.

"Turkey is... recognised as having a European future and will be judged on the same basis as other countries," he said. Other ministers were blunter. "Turkey has the right to join the EU and that right has to be confirmed forcefully," Mr Hervé de Charette, French foreign minister, said.

By reaching out to Turkey, EU foreign ministers distanced themselves from the message sent by centre-right heads of government from Belgium, Germany, Italy, Luxembourg, and Spain.

"We don't want to create a new religious Berlin wall in Europe today," said a British official. The EU position suggests that Turkey may win a

seat in a future European conference on enlargement of the EU likely to open early next year, though no EU commitment was forthcoming yesterday.

France has successfully pushed the idea of a standing conference in order to send a signal to countries excluded from the first wave of EU enlargement that they are part of the extended European family and can expect to join in future.

Ten central and eastern European countries have applied to join the EU: the Czech Republic, Poland, Hungary, Slovakia, Bulgaria, and Romania.

Ministers left open whether the EU would begin accession negotiations with all 10 applicant countries - the "regatta option" - or follow the European Commission's favoured approach of "differentiation". This means selecting countries such as the Czech Republic, Hungary and Poland, which have the most realistic chances of early membership, most likely around 2002-2003.

Accession talks with Cyprus are also due to open around the turn of the year. This is a sore point with the Turkish government which has also threatened to block Nato's planned enlargement to central and eastern Europe unless its candidacy for EU membership is treated fairly.

Countries left out of the initial enlargement wave will receive stronger political and financial support from the EU, including more funds from the Phare aid programme and a more intensive range of contacts with the EU to prepare for future accession.

Albania's navy and dozens of boats are clogging Italy's ports

Thousands flee in Albania exodus

By Robert Graham in Brindisi

Since ancient times the harbour of Brindisi has been likened to a stag's head. Once past the mighty Norman fortress and through a narrow head, the inner waters branch antler-like into two deep basins.

Over the past four days these "antlers" have been clogged by a ragged flotilla of vessels overflowing with desperate people fleeing the anarchy in Albania. Brindisi has absorbed most of the nearly 5,000 who have come across the Adriatic since Thursday. It has been the biggest maritime exodus from a country in Europe since the second world war.

Saturday witnessed the largest influx. By the evening 25 Albanian boats had limped into port with their sorry human cargoes, usually forced to stare on cramped open decks for a slow 10-hour crossing in choppy seas from Durres. With some 20 more boats showing on coastguard radar, it was then decided to close the clogged-up port.

Brindisi's plight underlines how the authorities have been caught off guard.

At the beginning of last week, official Italian policy was to refuse entry to Albanians, returning them usually via the daily Brindisi-Durres ferry. Now it has been obliged to adopt a policy of giving temporary



Foreigners, covered by US troops, are evacuated from Tirana by helicopter yesterday

humanitarian residence to the majority who have no proper papers.

The government's emergency provision for 3,000 beds also seriously underestimated the size of the exodus.

Yesterday the mayors of the main cities in Puglia on the Adriatic seaboard opposite Albania said they could no longer cope with the number of refugees. The Albanians were being accommodated in deserted barracks, temporary housing on industrial estates, in con-

tainers at military bases and in voluntary agency care centres. Of these 2,670 were at Brindisi and last night the government was making arrangements to transfer some to other regions.

All maritime traffic coming from Albania is now being diverted north to Bari or south to Otranto. The quays of Brindisi, meanwhile, had been turned into a time-capsule of maritime history dating in some cases back to the 1930s - rusting coastal traders, clapped-out fishing boats, and the

pathetic relics of Albania's cold war navy supplied by the Chinese and Russians.

The naval docks at Brindisi are harbouring at least 25 units of the Albanian navy, mainly torpedo boats, minesweepers and coastal patrol boats. There is also one corvette, which went aground early yesterday off Brindisi while carrying 800 people aboard.

Almost three quarters of the Albanian navy has taken refuge in either Brindisi or Otranto. This has created an unprecedented international

situation, since in some cases the vessels have been brought by members of the navy loyal to the Berisha presidency, in others by mutineers, and in still others by civilians who have commandeered them at one of Albania's four naval bases.

The 250-odd Albanians identified as military are being kept separate under naval supervision. All have requested political asylum, as have almost 100 others who claim to have been associated with the regime in a compromising way (such as in the secret police).

Among the civilians coming off the boats, the most common refrain is: "We fled because there was no food, no electricity and we were terrified for our lives." They claim they will return as soon as feasible.

Says an Italian coastguard observing them coming ashore: "They may say they want to go back but they'll now be allowed to stay here three months, long enough to find an excuse to stay."

Before the Albanian crisis, 900 Albanian economic migrants had this year been caught entering Italy illegally. Probably double that number have escaped the police net, coming across the 70km of water in fast launches run by the Albanian and Italian mafias. One of the mysteries of the events of the past few days is the way these launches have disappeared.

'If Berisha resigned we would stay'

By Guy Dinmore in Durres

Several thousand Albanians camped out in the Adriatic port of Durres yesterday, desperate for any ship to take them away and encouraged by reports that Italy was setting up refugee centres in expectation of an exodus.

"I have been here for four days and nights," said Mr Samir Paja, who was expelled from Italy in 1991 when some 40,000 Albanians fled across the Adriatic in the chaos that accompanied the breakdown of commu-

nist rule. "We want our government to calm down the situation. If Berisha resigned we would stay," Mr Paja said.

"There's no bread, no water, no electricity in Durres," said Mr Ilija Bregu, who like many Albanians lost most of his money with the collapse of fraudulent pyramid investment schemes, the spark that triggered the mass insurrection in southern Albania.

Mrs Etleva Lajla, six months pregnant, came to Durres from Tirana in the hope of escaping "even if I

have to swim". She carried just a change of clothing. "The government has reduced us to this. The country is heading for civil war," said her husband Steven.

Smoke billowed from the port's customs house, and warehouses had been left stripped bare following an orgy of looting on Friday.

On a hill overlooking Durres, children vandalised the pillaged remains of the summer palace used by King Zog until he fled into exile in 1939. A gang with no-one older than 10 pushed giant marble balustrades until

they crashed down the stairwell. Shattered chandeliers littered marble floors. Baths and toilets were ripped out and smashed.

"I don't care about the royal family or the president. They're all scum," said a woman who gave her name as Mimosa. She dragged away a door which she said would make useful firewood for her family of seven children.

Just outside Durres Turkish commandos came ashore to evacuate about 250 Turkish citizens sheltering among looted villas in a gov-

ernment complex. A Turkish warship lay off the beach. US marines joined the operation.

Armed gangs looted several villas rented by foreign companies, including Ada Air of France, the Canadian construction company Globex and the Croatian oil company Inaastaplin.

For British businessmen the hero of the day was Mr Luli Braci who, armed with his own Kalashnikov, saw off a gang of looters intent on pillaging a villa used by Incat, a British construction and trading company.

Chubais structural reform drive faces a stern test

By Chrystia Freeland in Moscow

The reformist drive led by Mr Anatoly Chubais, Russia's first deputy prime minister, appears to be running into stiff opposition before it has even begun. Mr Chubais, who last week withdrew government subsidies from two influential companies - Norilsk Nickel and Yukos, an oil producer - has antagonised some

of Russia's most powerful business interests and they have begun lobbying to prevent him from appointing his protégés to key government posts.

Delays in announcing the new cabinet, whose composition was expected to be made public last week, appear to be a result of this intense infighting.

The reform drive has also aroused stiff resistance from some

of Russia's powerful regional leaders, including the Moscow city government, which has vowed not to implement proposed housing reforms.

Housing reform, which would sharply raise the price of rents and utilities for most Russians, is part of a bold programme of structural reforms announced by Mr Boris Yeltsin, the Russian president, in a state of the nation

address earlier this month.

The changes are vital if the federal government is to resolve its acute fiscal crisis, which has led to delays in the payment of wages and pensions of several months.

In the opinion of Mr Valery Shantsev, the deputy mayor of Moscow, the federal proposal to bring the price of rents and utilities in line with their market costs is theoretically sound but

impossible to implement because of the impoverishment of ordinary Russians.

Last year's regional elections, which made local leaders independent of the Kremlin and directly accountable to their constituents, seems likely to stiffen opposition to the reforms, even if they are being led by Mr Chubais.

"Chubais could just be sacked again tomorrow," Mr Shantsev

said. "But Yuri Mikhailovich [the mayor of Moscow] will be here until the year 2000."

In another sign of the shift in political power from the federal government to the regions, two of Russia's most authoritative provincial governors, Mr Boris Nemtsov, of Nizhny Novgorod, and Mr Konstantin Titov, of Samara, have recently refused offers to join the cabinet.

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Waigel sees fresh hope on tax reform

By Ralph Atkins in Bonn

Mr Theo Waigel, Germany's finance minister, last night predicted a resumption this week of crucial talks with the opposition Social Democratic party (SPD) over tax reforms which could boost the country's chances of meeting budget criteria for European economic and monetary union.

His comments signalled fresh hope within the Bonn governing coalition of averting a parliamentary blockade this summer by the SPD, which dominates the Bundestag, the second chamber of parliament. Mr Waigel indicated compromises were possible in several areas - including on the government's plans to tax holiday and night working which had been rejected by the SPD.

An early agreement could see substantial chunks of the government's tax reform package being introduced in 1998 - a year earlier than originally envisaged by Bonn - providing an impetus to the sluggish German economy that would reduce the burden of high unemployment on the federal budget. The SPD had pulled out of tax talks because of a dispute, resolved late last week, over coal industry subsidies. Mr Waigel faces the embarrassment today of admitting to a meeting of

European finance ministers in Brussels that Germany expects this year public debt equivalent to 61.5 per cent of gross domestic product. This compares with the 60 per cent target set in the Maastricht treaty for members of the new European single currency.

Bonn argues debt inherited from the Treuhänder - the agency which privatised eastern German industry - exaggerates the total and represents a legitimate "exceptional and "transitory" factor.

Mr Waigel said last night that procedures for tax talks with the SPD would have to be agreed before Easter. To boost economic growth, a deal in the first half of the year was needed. "We are dependent on one-another. We must negotiate together responsibly." On progress towards meeting the Maastricht criteria, he said: "The convergence determines the timetable and not the timetable the convergence."

Separately, Mr Oskar Lafontaine, SPD leader, said he was prepared to talk about tax reform with Chancellor Helmut Kohl. But his support was conditional on a tax package aimed at reducing unemployment - adding that a "stubborn insistence" on adhering precisely to Maastricht targets was economically inappropriate given high joblessness.

Brussels move on dumping a 'violation'

By Jenny Luesby

Brussels will this week try to push through its most controversial anti-dumping action in years, despite evidence that the move represents a "gross violation" of the Uruguay Round world trade agreement.

The European Commission plans to impose duties of up to 38 per cent on unfinished cotton fabric imports worth \$400m from India, Pakistan, Indonesia, China, Egypt and Turkey.

Three months ago, it introduced the duties on a provisional basis, even though nine of the EU's 15 member states said they would oppose the action when it came to a vote.

On Thursday, three months ahead of schedule, Brussels will put the action to a vote, in an effort to secure majority support for a five-year levy.

However, research on this week claims the Commission's actions have failed to satisfy WTO rules on every count.

During the Uruguay Round, this method looks for lower prices in Europe than elsewhere, but excludes the highest prices charged in Europe and the lowest prices charged elsewhere.

"This method can create dumping margins where none exist, as well as inflating real margins," says Mr Hindley.

The second WTO condition for anti-dumping actions is that the dumping should cause injury to local producers. However, the exporters named in the action have suffered from a static market share, simply because their sales are limited by quotas.

It is other exporters that have raised market share. Finally, Brussels must show that an anti-dumping action will not injure more people than it protects.

In this case, textile companies and industry federations claim a death blow will be delivered to many of their European operations if the action proceeds.

Europe processes three times more cotton fabric than it manufactures, with thousands employed at dyeing, printing and finishing plants.

Political prima donnas hinder La Scala

By Paul Betts in Milan

A classic Italian political imbroglio is threatening to scupper an ambitious two-year, £1.46bn (\$2.54m) project to refurbish and modernise La Scala, the world's most famous opera house and Milan's most famous symbol.

Mr Carlo Fontana, La Scala's superintendent, warned in an interview that unless Milan's local political parties gave the green light to the project before the end of this month it would be impossible to go ahead with the restoration.

"It is one of those everlasting and typically Italian sagas," Mr Fontana said.

The two-year restoration and modernisation programme was proposed in 1981 and the local authorities agreed 12 months ago to transfer La Scala to a new theatre to be built in the city's old industrial district of La Bicocca. But a complex series of political disputes and administrative obstacles has delayed the project.

"Unless the decisions are finally taken, the new Bicocca theatre won't be ready in time and in turn, the restoration of La Scala won't be completed for the centenary of the death of Giuseppe Verdi on January 27 2001."

Mr Fontana insisted the opera and ballet company would only move out of its historic home if it was guaranteed to be back in time for the Verdi celebrations.

The issue is expected to dominate the city council's last regular meeting today before local elections on April 27 to appoint a new mayor. It will also be the subject of a public hearing which is expected to be a highly operatic affair.

At the root of the problem appear to be efforts by political opponents of Mr Marco Formentini, the Northern League mayor, to prevent his administration taking credit for one of the most prestigious projects to be undertaken by the city in decades.

The involvement in the project of the Pirelli tyre and cables group has also contributed to the controversy and the politics delays. "After the *impenetabili* [bribesville] scandals there prevails a climate of suspicion in Italy," Mr Fontana complains. "People seem to believe that there is some murky private interest behind every project of this kind."

Pirelli, which owns a stake in Milano Centrale, the company co-ordinating the Bicocca project, had made the only proposal to develop a new theatre to house La Scala, Mr Fontana said. The tyre group has already contributed £5bn to the project and will channel £2.7bn more under a fiscal mechanism allowing companies to offset property taxes against programmes of public interest. Pirelli says it "won't make a lira" out of the project, although it acknowledged that the venture would clearly help boost the company's image.

"If the project does not go ahead it will be a great missed opportunity for Milan," Mr Fontana said. Most Milanese agree La Scala is by far the city's most representative and important institution.

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NEWS: INTERNATIONAL

INTERNATIONAL NEWS DIGEST

Bangladesh gas bidding opens

The government of Bangladesh opened the bidding for gas exploration rights around the country to international oil companies at the weekend. Dozens of international oil companies, including some of the industry giants from the US, Europe, and Japan, have lined up to bid for 15 blocks covering eastern and central parts of the country.

"This bidding round is a stepping stone towards Bangladesh's prosperity," said Mr Nuruddin Khan, energy minister. International oil companies have been encouraged by recent discoveries of substantial reserves of gas both in the Bay of Bengal and on land which have pushed the country's proven reserves to more than 10,000 cubic feet.

The government has agreed to the demands of a number of oil companies to invite experts from the World Bank to sit on the review board which will examine the bids. The oil companies have three months to submit their detailed proposals.

Kasra Naji, Dhaka

Venezuela razes jail

In an effort to underscore Venezuela's commitment to improve its dismal penitentiary system, President Rafael Caldera yesterday supervised demolition of the country's most notoriously inhumane prison. In a working-class neighbourhood of Caracas, Catia jail was seen as the symbol of crime, corruption and human rights violations within the country's prison system.

Only last week the Washington-based watchdog, Human Rights Watch, said that along with Brazil, Venezuela had Latin America's worst prison system and human rights violations there had increased in recent years.

Raymond Collis, Caracas

Nigeria local elections

Electoral officials and ministers in Nigeria's military government yesterday praised the large turnout and peaceful conduct of local elections on Saturday as confirmation of the country's progress towards a return to democracy. The poll was the first multiparty contest since the military terminated its previous eight-year transition programme in 1993. Mr Sumner Dagogo-Jack, chairman of the National Electoral Commission, brushed aside reports of poor organisation and fraud at some of the 100,000-plus polling stations, describing the exercise as "very impressive". Even in Abokuta, the home town of several prominent opposition figures, including Mr Moshood Abiola, General Olusegun Obasanjo and Mr Wole Soyinka, voting was brisk.

Antony Goldman, Lagos

Sierra Leone rebel deposed

Officers of the Revolutionary United Front (RUF), the Sierra Leonean rebel group which last November agreed to end a five-year civil war, have announced the overthrow of Corporal Foday Sankoh, the movement's founder and leader. The declaration came amid speculation of a new, clandestine regional initiative to inject life into the stalled peace process.

From its base in the Ivory Coast commercial capital, Abidjan, the new RUF command accused Corporal Sankoh, a former itinerant photographer, of "prolonging the suffering of the people" and of preparing for a return to war. Corporal Sankoh himself is at present in Nigeria, according to the military, as "a guest of the Ministry of Foreign Affairs".

Antony Goldman

Zaire residents look to rebels

'When Kabila comes everyone, but everyone, will join him.' Michela Wrong reports

A new vehicle recently made an appearance in Lubumbashi, capital of Zaire's southern Shaba province. Residents were startled by dark green lorries, mounted with rocket launchers and helmeted soldiers, rolling through their colonnaded centre.

It was not immediately clear whether the artillery was destined to oppose Mr Laurent Kabila's Alliance of Democratic Forces, whose rebel campaign marked a turning point with the capture of Kisangani at the weekend, or whether it was an army display aimed at intimidating an increasingly hostile population.

For the anger on the streets of Zaire's second-largest city is palpable. The unemployed men thronging the streets no longer seem to care whether their fury and frustration is overheard by the Snp security police.

"When Kabila comes everyone, but everyone, will take up arms and join him," promises a student, one of the youths who danced the night away after Kisangani's capture was announced. "This is Kabila's home province and he is one of us. We are waiting for him to free us from these thieves."

When it comes to winning the hearts and minds of the population, Mr Kabila has already triumphed in Shaba.

The refrain heard in Kinshasa, Kisangani and Mbuji-Mayi - that the rebels are liberators putting a welcome end to an oppressive dictatorship - is repeated here.

Only in Shaba the refrain is amplified, backed by a history of revolt against central government stretching back nearly four decades.

Ever since 1960, when Mr Moïse Tshombe declared the independence of Katanga - an announcement that brought United Nations forces flying in to shore up Zaire's territorial integrity - Shaba has considered itself a subjugated province squeezed by a greedy capital.

The chief source of its grievance lies in the 300 km concession running from Lubumbashi in the south-east to Kolwezi in the north-west: the rusting installations of state-owned Gécamines, an organisation that should by rights be the most profit-



Laurent Kabila, Zairean rebel leader, shows off new recruits in Uvira, Zaire, recently. The rebels have now stormed the city of Kisangani.

able copper and cobalt mining company in the world.

"If the Zairean economy has managed to continue at all, it is thanks to Gécamines," says Mr Stéphane Lukonda Kyenge, head of the local branch of Uferi, the party that has consistently campaigned for autonomy.

"For thirty years, Gécamines provided 70 per cent of the state budget and 80 per cent of foreign earnings."

"We helped the government and in exchange we were colonised a second time. At least when the Belgians were here some money returned to the province. Now it all goes up to Kinshasa. Nothing has been built, no schools, no hospitals."

Even after Mr Tshombe abandoned attempts at secession, local animosity towards central government repeatedly brought Zaire to the brink of disintegration. In the late 1970s western and African forces twice flew in to put down revolts by Katangese fighters.

Since then the quest for independence has never been far from the surface. The former governor deliberately fomented a climate of xenophobia that led to the 1992 expulsion of hundreds of thousands of ethnic Kasaians. He was suspended after declaring formal secession: President Mobutu Sese Seko decided he had gone too far.

Although to the visitor Shaba looks the least dispirited of Zaire's provinces, locals complain that nothing has been renewed

since the Belgians pulled out.

They chafe over potholed roads, omnipresent corruption, army harassment and the failure to pay civil service salaries.

Inflation, an annual 300 per cent in Zaire as a whole, is even higher here. This is because a series of new Zaire banknotes - derisively nicknamed "prostheses" after the cancer that is afflicting Mr Mobutu - have been dumped on the local market after being rejected by traders in Kinshasa.

Local bitterness has only been rendered more acute by the steady collapse of Gécamines. Systematic theft of equipment and massive smuggling of stocks by the staff, crippling levels of debt and the failure to reinvest earnings - funnelled instead to the government and Mr Mobutu - have brought the company to its knees.

In 1996 copper production was a miserable 38,000 tonnes, less than a tenth of its 470,000-tonne capacity. Output of the more valuable cobalt was 4,000 tonnes, compared with capacity of 14,000-16,000 tonnes. The last time Gécamines turned a profit was in 1988. Salaries have not been paid for months.

Despairing of full-scale privatisation, Gécamines last year started negotiating small-scale, quick-profit joint ventures with foreign companies already involved in the privatisation of Zambia's cop-



per industry across the border.

The first faint glimmerings of a possible mining recovery after decades of decline are lending new force to the battle for control between Shaba and Kinshasa. "We support these new contracts," says Uferi's Mr Kyenge, "but they must not be discussed exclusively with Kinshasa. These resources are located here, so let Katanga be the main interlocutor."

Once a strong supporter of Mr Mobutu, the opportunistic Uferi now proclaims its neutrality, but is clearly ready to jump ship should Mr Kabila's men prove victorious.

The guerrillas are currently confined to the eastern and northern fringes of Shaba. But humanitarian workers say that in a string of towns deeper inside the province, civilian authorities have forced local army contingents to leave rather than endure an anticipated round of looting and are now waiting to welcome the rebels.

Shabaians are also reported to be crossing south into Zambia in order to re-enter Zaire in occupied territory, where they can join the rebel movement.

With this kind of popular support Mr Kabila must have little doubt that he can capture Shaba if he chooses to do so. But as a native of the province, he will be aware that once the euphoria of Mr Mobutu's overthrow has passed, he will be dealing with a region whose longing for autonomy calls for recognition.

China seeks to pre-empt UN on rights

Qian confident of avoiding censure again, says Tony Walker

Mr Qian Qichen, China's foreign minister, appeared last week to be daring the international community to test Beijing's support at the UN Commission on Human Rights now in session in Geneva.

"Since the beginning of the 1990s, the United States and EU countries have for six consecutive years tabled anti-China resolutions in Geneva, and every time they have suffered defeat," he said.

He added: "If they insist on doing the same thing this year, I can't see any different outcome."

Mr Qian's confidence that China will once again avoid censure seems well-founded in a process which has become an annual ritual with EU countries, whose commitment is, at best, lukewarm, failing to secure support for a motion decrying Beijing's human rights behaviour.

A European official in Beijing voiced a typical view saying: "Everyone realises the futility of the thing. It is a formulaic process which does not amount to much, but domestic political pressures require countries to press ahead with the motion."

European representatives are reluctant to talk about the issue to avoid offending the Chinese, a concern which hardly suggests a strong desire to confront Beijing.

The Dutch, who hold the EU presidency and are therefore responsible for drafting the motion, have been seeking consensus, but have faced difficulties with the French, Italians, Germans and Belgians, all of whom are arguing for a softer line. Mrs Madeleine Albright, the US secretary of state, who "told it like it is" on human rights during her recent visit to Beijing, said that Washington was likely to proceed with its support for the European motion, in the absence of a breakthrough.

China has indicated that it might yield to pressure on several human rights issues such as Red Cross access to prisons, but there is no sign it is willing to make gestures necessary to allay widespread criticism. A European ambassador

said there had been "no apparent change for the better" in the past 12 months. This was also the conclusion of the State Department in its Human Rights Report for 1996.

"Overall in 1996," it said, "the authorities stepped up efforts to cut off expressions of protest or criticism. All public dissent against the party and government was effectively silenced... No dissidents were known to be active at year's end."

But the report also noted: "Chinese society continued to open further. Greater disposable income, looser ideological controls, and freer access to outside sources of information led to greater room for individual choice."

China, in long efforts to neutralise criticism, has indicated it is considering signing two international human rights covenants - the UN convention on civil and political rights and UN convention on economic, social and cultural rights.

The US is pressing China to sign the covenants to counter persistent criticism in Congress of its human rights record. Human rights issues have bedevilled Sino-US relations since the Tiananmen Square massacre of pro-democracy protesters in 1989.

Beijing has also told the International Committee of the Red Cross it is ready to restart negotiations on access to political prisoners in Chinese jails. But this process yielded little progress in the past.

Under pressure from the US and others, China and the ICRC set up a technical commission of experts which met in April 1994, but a second meeting scheduled for March 1995 never took place because of Chinese unavailability.

Human rights activists have expressed dismay over apparent lack of enthusiasm among European countries for censure against China at this year's Geneva session. Ms Lotte Leicht, Brussels director of Human Rights Watch, the international human rights organisation, accused EU countries of simply going through the motions. "The greatest losers will be us," she said, "the human rights groups and the people whose rights are being violated."



HUSSEIN VISITS BEREAVED PARENTS

King Hussein of Jordan (centre) yesterday visited seven Israeli families mourning their daughters killed last week by a Jordanian soldier in an attempt to ease strained relations between the two countries, writes Avi Machlis in Jerusalem.

The girls were killed when a Jordanian soldier opened fire on a group of 13-year-olds on a school field trip to a tourist site dubbed the "Island of Peace", an enclave between Israel and Jordan. Tension between Israel and Jordan has mounted recently with Israel's determination to press ahead with plans to build Har Homa, a Jewish

neighbourhood in occupied East Jerusalem. Political analysts said they expected King Hussein to make a last-minute plea to Mr Benjamin Netanyahu, Israel's prime minister, to cancel the building project when the two leaders met in Jerusalem following their visit to the families.

Flanked by Mr Netanyahu and Mr David Levy, Israeli foreign minister, the king was warmly received at the homes of the schoolgirls. "I feel that I have lost a child," the king told the bereaved Malka family in Bet Shemesh, a development of about 25,000 residents between Jerusalem and Tel Aviv.

CONTRACTS & TENDERS

GOVERNMENT OF PAKISTAN
CAPITALIZATION/FINANCIAL RESTRUCTURING OF
PAKISTAN INTERNATIONAL AIRLINES CORPORATION (P.I.A.C.)
AND ITS SUBSIDIARIES

INVITATION FOR EXPRESSIONS OF INTEREST TO ACT AS FINANCIAL ADVISORY GROUP

The Government of Pakistan is considering the capitalization / financial restructuring of its national flag carrier, Pakistan International Airlines (PIA), during the 1997/98 period. The Government's objectives are to:

- Promote efficient development of air transport services;
- Promote private sector participation in the sector; and
- Generate the required investments to upgrade and modernize PIA's fleet.

The Government is planning a two-phase process for divestiture of a portion of its shares in PIA: (1) trade sale of a controlling block of shares to a strategic investor (airline operator); and (2) public offering of remaining shares in capital markets at a later date.

It is the government's intention to engage a qualified Financial Advisory Group (FAG) to design, develop and implement the first phase of the process. The FAG will be

responsible for all activities related to the trade sale (or private placement) of shares through an equity increase in the airline to a strategic investor (i.e. capitalization of PIA to be between 50-100% of the existing equity base) and the strategy for the treatment of subsidiaries.

Expressions of interest to act as the FAG to the Government of Pakistan is requested from world-class consortia, led by a first-class investment bank with ample experience in airline privatization, restructuring, mergers and acquisitions, a leading law firm with expertise in documentation, and a specialized consulting firm in the air transport sector (preferably dealing exclusively with the aviation sector or having a division with expertise in this field).

Prospective consortia are requested to send their expression of interest latest by 5:00 PM (local time) on April 21, 1997, along with relevant and detailed documentation demonstrating that they meet the above specified criteria to:

Mushraf Hussain Syed, Joint Secretary

Privatization Commission

5-4 Constitution Avenue, Experts Advisory Cell Building, Islamabad, Pakistan. Tel: No. (92-57) 8205369-8205348, Fax No. (92-57) 8203076-8203082

Note: The Government does not intend to negotiate with potential interested investors prior to the completion of the first phase of the process.

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CITY INDEX

Over 40,000 marching workers unite in anger against EU

By Neil Buckley in Brussels

More than 40,000 workers from around Europe marched through Brussels yesterday demanding action on unemployment and better protection for workers, in a protest which had as its main target the European Union.

Although the march was organised by Belgian unions and sparked by Renault's decision to close a Flemish assembly plant with the loss of 3,100 jobs, the EU bore the brunt of criticism for failure to protect jobs.

Renault workers from the Vilvoorde factory were joined by thousands of demonstrators who

The European Union is to scrutinise its industrial aid programmes and those of individual governments to prevent multinationals amassing subsidies merely by relocating a production site from one member state to another, Gordon Cramb reports from Rotterdam.

arrived from around Belgium in 23 special trains and 500 coaches, and from Renault factories in France, where the carmaker is also cutting 2,700 jobs.

Organisers claimed the march, which stretched more than 3km, attracted 70,000 people, although

Mr Padraig Flynn, the commissioner for social policy, said at the weekend this would form part of Brussels' response to Renault's decision to close its Belgian plant. Talks are also to be convened with businesses and unions in a bid to agree rules for such closures. The carmaker is

shedding 3,100 jobs at Vilvoorde while intending to expand output at Valladolid in Spain.

Mr Flynn promised EU social affairs ministers meeting in Rotterdam: "On the question of whether companies are abusing the system by moving their activities in such a way as to

maximise the aid they receive from public sources, including Community funding, I can tell you now that the Commission intends to address this issue very soon. You can rest assured that, if abuses are found, we will not hesitate to take corrective action."

The anti-European tone is likely to worry EU officials, who fear Renault's announcement could crystallise fears about the effect of EU policies such as the single market.

The European Commission has publicly criticised Renault for failing to respect EU directives on worker consultation, and promised to examine whether the

conception of Europe than produces 18m people out of work and weak growth."

Mr Robert Hue, French Communist leader and another participant in the march, called the demonstration "the burial of the Europe of Maastricht".

Mr Lionel Jospin, leader of the French Socialist party, said he joined the march "to say no to a

directives need strengthening. With EU members forced to cut spending in their efforts to qualify for monetary union, and unemployment reaching postwar records in countries such as Germany, jobs are a sensitive issue.

European trade unions are planning a series of marches across the continent in coming months, calling for employment creation to be made a priority in the reform of the Maastricht treaty, due to be completed in June, and for cuts in working hours. They also want tougher penalties against companies which ignore rules on worker consultation.

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West European new car registrations
January-February 1997

	Jan 97	Feb 97	Jan 96	Feb 96
TOTAL MARKET	1,890,368	1,715,000	1,800,000	1,800,000
MANUFACTURERS				
Volkswagen group	380,300	375,000	375,000	375,000
Ford	220,250	215,000	215,000	215,000
Peugeot	180,000	175,000	175,000	175,000
Renault	160,000	155,000	155,000	155,000
Seat	140,000	135,000	135,000	135,000
BMW	120,000	115,000	115,000	115,000
Volvo	100,000	95,000	95,000	95,000
Subaru	80,000	75,000	75,000	75,000
Other	1,000,000	950,000	950,000	950,000
MARKETS				
Germany	300,000	295,000	295,000	295,000
France	250,000	245,000	245,000	245,000
UK	200,000	195,000	195,000	195,000
Italy	150,000	145,000	145,000	145,000
Spain	100,000	95,000	95,000	95,000
Other	1,000,000	950,000	950,000	950,000

Swings and roundabouts: Europe's new car registrations last month were a story of contrasts, writes Haig Simonian, Motor Industry Correspondent.

Sales of Renault and Peugeot-Citroen vehicles fell sharply on the back of a 29.4 per cent slide in the French market in the first two months of the year.

By contrast, sales of Fiat group cars climbed strongly thanks largely to a 12.1 per cent rise in the domestic market after a government scheme to encourage the replacement of old vehicles took effect in January.

Until now, Toyota's main European investment has

Toyota focuses on grand plan for Lens

Michiyo Nakamoto and Tim Burt assess logistics of the group's French plant scheme

The town of Lens in northern France does not appear to have much going for it. It has a struggling first division football club, stubbornly high unemployment and some ageing industrial estates.

But 6,000 miles away in Toyota City, the directors of Japan's largest vehicle manufacturer are understood to be drawing up grand plans for the area.

Within the next five years, Toyota hopes to be producing one car every two minutes at a "£1bn (\$1.6bn) plant" on the outskirts of Lens, according to international component suppliers alerted to the plans.

The move - expected to be ratified by the Toyota board at its May 10 meeting - could mark a watershed in European inward investment by Japan's carmakers.

It would represent a vital shot in the arm for the economically depressed Pas de Calais region. More important, it would show that Japanese investors believe they can remain competitive despite higher labour costs in France and the requirement to comply with the Social Chapter of the Maastricht treaty.

Until now, Toyota's main European investment has

been targeted at the UK, where the government has maintained that the Japanese manufacturer's presence proved that overseas investors were deterred by the labour regulations and social costs enshrined in the Maastricht treaty.

The British government has also argued that such investment could be threatened by the drive towards European economic and monetary union.

But six weeks ago Mr Hiroshi Okuda, Toyota's president, hinted that the company might change its European investment strategy if the UK stayed out of Emu.

That caused a flurry of diplomatic activity and prompted Toyota to re-affirm its commitment to its UK car plant at Burnaston in Derbyshire, and its engine factory at Deeside, north Wales.

The company - while yesterday confirming it was carrying out feasibility studies on a new European plant - added that it was spending a further £200m on its £380m Burnaston plant. That expansion would allow Burnaston to build a new model - the Corolla, alongside its existing Carina E production line - and increase staff from 2,400 to about 3,000 by

the end of 1998. Privately, however, Toyota insiders say the French plant proposal has more to do with trends in the international motor industry and its own sales goals rather than any dissatisfaction with UK policy towards Europe.

Toyota has made the development of its overseas markets a priority amid intensifying competition in Japan, where its share of the market last year fell below its 40 per cent target.

At the same time, the attraction of manufacturing overseas has been increased by the strength of the yen

and rising shipping costs, which have made direct exports from Japan less competitive in markets such as Europe, where there is great overcapacity and heavy discounting.

The company, which believes its lean production systems would make it highly competitive in France, is one of several global carmakers to consider building new overseas plants to offset tough trading conditions at home.

Last week, Chrysler of the US said it would soon announce a new \$500m engine plant in Latin America - part of a joint venture with Germany's BMW. And Audi, the Volkswagen subsidiary, confirmed it was studying the feasibility of a US plant.

For its part, Toyota is expected to announce a joint venture to build a new plant near Bangalore, southern India. In Europe, it has unveiled plans to increase sales by 50 per cent to 600,000 by 2000, with 80 per cent built locally.

However, the choice of France as a site for a new Japanese plant is on the face of it strange. Toyota had indicated it was looking for

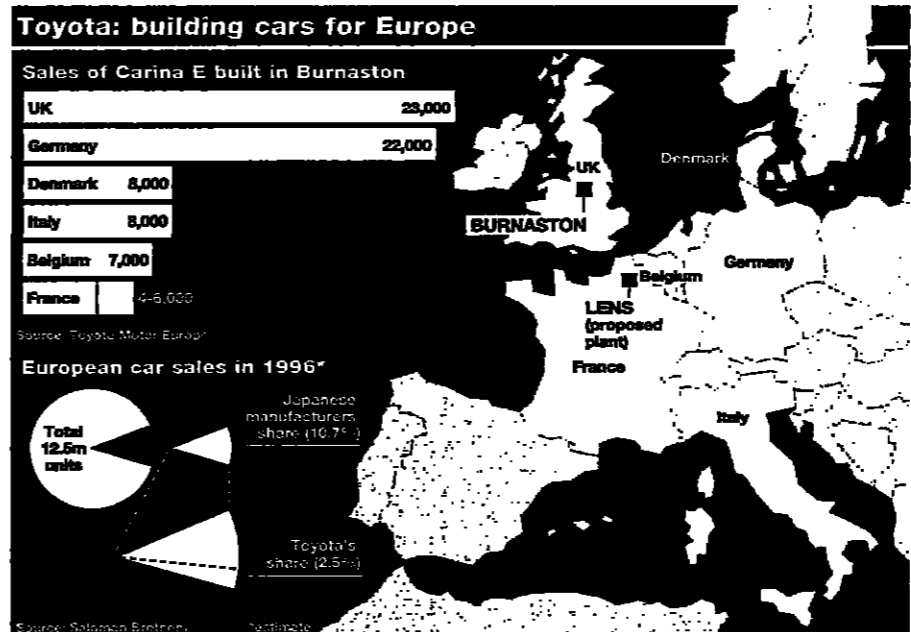
additional European capacity as it was dissatisfied with its current European market share. But given the extreme overcapacity in the west European market and the existence of the UK plant, it was widely supposed the company would opt for eastern Europe.

Moreover the French car market is dominated by Renault and Peugeot-Citroen, the domestic manufacturers which have been slimming down their workforce. No foreign carmakers build vehicles in France and the two French makers have been among the most vociferous critics of Japan's European plants.

In recent years, Toyota has failed to make much headway against the French carmakers. Last year, it sold fewer UK-produced cars in France than in smaller markets such as Denmark. The company is keen to rectify this and would be most likely to make a small car or recreational vehicle for the French market.

Mr Shinji Sakai, Toyota's senior managing director in charge of Europe, said it was contemplating designing new vehicles more in tune with European tastes.

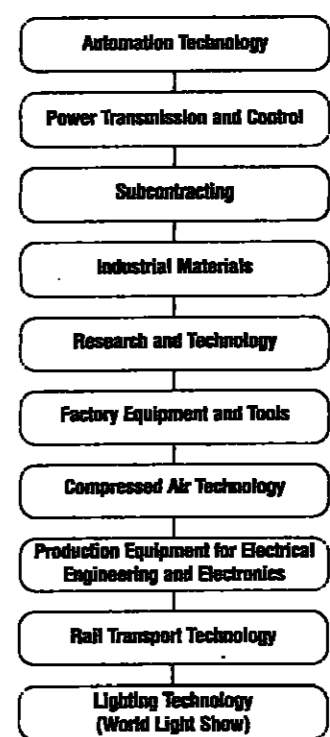
"Toyota has developed Asian cars that are localised and has worked to bring out cars that are specifically suited to American tastes. But we do not have cars designed specifically for Europe," Mr Sakai noted. "Unless we do that we cannot increase sales to 600,000."



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HANNOVER MESSE '97
14 - 19 APRIL

On March 20 1996 a possible link between BSE and CJD was revealed. FT writers look at a continuing problem

Anniversary the meat industry cannot forget

By Maggie Urry in London

March 20 1996 is a date few in the food and farming industries can forget. No one will be celebrating the anniversary next Thursday of the announcement by Mr Stephen Dorrell, the health secretary, that there could be a link between bovine spongiform encephalopathy - mad cow disease - and a new variant of Creutzfeldt-Jakob disease, the fatal human brain disease.

Almost from the moment Mr Dorrell rose to speak in the House of Commons that day, there has been turmoil in the beef industry. Consumer confidence, in the UK and elsewhere, has been shattered. Within days, the European Commission had banned beef exports from the UK and the British government had stopped meat from cattle more than 30 months old entering the human food chain.

The swift decision by McDonald's, the fast food restaurant chain which serves 1.8m customers a day in the UK, that it would not buy any UK beef, was perhaps most telling.

Jobs have been lost, companies have failed, export markets closed, 1.3m cattle slaughtered, taxpayers presented with a £3.3bn (£5.2bn) bill and ministerial reputations tarnished.

A year on, the restoration of consumer confidence is the priority for all involved in the food chain "from stable to table". But once again that fragile confidence is at risk, this time from fears that poor hygiene standards in abattoirs are exposing consumers to the deadly e.coli organism.

There are optimists who believe that the beef market will recover. Consumption of some beef, mainly prime cuts, has returned to pre-BSE levels. There are hopes that a phased lifting of the export ban will soon begin. But there are



Douglas Hogg listens to EU commissioner Franz Fischler at the 1996 Royal Show (left), beef farmer Robert Sloman, and BSE cattle being cremated

pessimists, too, who can see years of hard work ahead.

The biggest change in the last year, according to Mr Nik Askaroff, managing director of ADM Group, a meat processing company, is cultural. There is now "a will within the industry to get things right". Regulations previously regarded as "bureaucratic nonsense" are now adhered to.

It is a decade since BSE became a concern. Regulations have repeatedly been tightened since then and standards have been raised further over the past year.

In the slaughterhouses there are tougher rules on removal of "specified bovine material" - the parts of an animal such as the brain and spinal cord which are thought to carry the disease.

Mr Johnston McNeill, chief executive of the Meat Hygiene Service charged with supervising abattoirs, says he is satisfied that the UK has "now got the most stringent regulations in the whole of Europe". Independent spot checks show, he says, a "compliance level" of 98 per cent, with the 1 per cent of failings not posing a

threat to public health. Mr Askaroff, who deals with up to 20 abattoirs, says: "I've seen no evidence of anybody trying to cheat." Meat which his company buys is scrutinised by vets who are "unbelievably diligent".

Food manufacturers and retailers, those in the chain which are closest to the consumer, have raised their specifications. Mr Matthew Gribben, group executive at Northern Foods, which makes ready meals for supermarkets, says that, since March last year, "we have taken a much

greater interest in the source of our meat". It would appear that everything possible is being done to ensure British beef is BSE-free. But in spite of the tighter regulations and efforts by the industry to promote beef as safe to eat, consumers are still concerned. Sales of processed beef remain substantially down on pre-crisis levels.

Mr Gribben says: "We've lost business. Some of it is gone forever. If there was a slow pre-BSE rate of decline in red meat consumption, then a number of years

of that decline has been compressed into one jolt."

McDonald's has no timetable for reintroducing British beef. In surveys, it says, "our customers tell us they don't trust British beef".

So how is consumer confidence to be restored? Many in the industry believe their efforts have been undermined by politicians' bungling. The calls for an independent food agency have grown louder.

Mr Francis Anthony, the British Veterinary Association expert on BSE, believes the public is "totally confused".

"People know the risk to humans is pretty damn small but their trust in government statements and the enforcement agencies has been broken," he says. "What is long, long overdue is a proper, integrated approach to the safety of food from animals. There are a lot of tin-pot quality assurance schemes, but they are all different."

Meanwhile, how have farmers fared through the crisis? Specialist beef farmers have suffered badly. Mr Richard Haddock, a beef farmer in south-west England, is gloomy. His 1996 profit of more than £50,000 turned to a loss of £42,500 in 1996. He is cutting his beef herd by a quarter and switching to pigs and poultry to "try and save ourselves".

Mr George Lyon, a livestock farmer on Bute, on the west coast of Scotland, and vice-president of the Scottish National Farmers' Union, is less pessimistic. But he predicts 1997 would be a tougher year, as supply must fall to match the lower demand. "We have managed to hold the industry together in the short term. We are hanging in there hoping the quality of the product will see us through." In two or three years' time, he says, the industry will be able to claim "we have the safest beef in the whole of Europe".

MAINLAND EUROPE

Officials admit policy in rest of EU is a mess

By Caroline Southey in Brussels

Damning evidence from the European Commission recently confirmed what many British politicians had always suspected - that the scale of the BSE problem in other EU countries remains under-reported.

EU governments have taken little action over the past year to protect consumers from BSE. Apart from the blockade on UK beef and cattle feed, EU countries have collectively agreed, to only one new directive, stricter rules on processing meat and bone-meat.

"The situation in the EU is no different to what it was a year ago. The risks in Europe are as high as they were then," an EU diplomat says.

EU officials admit the policy is a mess.

Evidence unearthed by Commission investigations reveals that most countries are incapable of detecting BSE because regimes for diagnosing the disease are poor.

The principal problems are the absence of a uniform test, a shortage of trained scientists and the fact that laboratories are receiving samples that are unfit for testing.

Because detection of BSE is poor, the Commission believes that material from cattle with the disease could still be finding its way on to supermarket shelves and into animal feed.

Only four EU countries - France, Portugal, the Netherlands and the Irish Republic - have banned the use of materials such as brains and spinal cords from goats, sheep and cattle. Evidence shows that prions - protein particles carrying the disease - are found primarily in these parts.

Officially, only 291 cases of BSE have been identified in other EU states. The biggest numbers have been reported in the Republic of Ireland (204), Portugal (54) and France (35).

EU officials admit the official numbers are meaningless. "Member states are not looking for the disease," an EU official says.

Dutch scientists have calculated that 1,668 cases should have occurred in the EU given the number of cattle imported from the UK prior to 1989, when a ban was imposed on the export of cattle over six months.

The Commission's indictment of practices in member states is expected to lead to a fresh drive to reduce the risk of the disease across the continent.

Mr Franz Fischler, the agriculture commissioner, is likely to begin by refuting proposals to ban materials from sheep, goats and cattle.

Mr Fischler hopes to shame farm ministers into backing the plan, rejected by 10 countries last year. His case has been strengthened by confidential studies on member states which show that they are not doing enough to eliminate risk to consumers.

The Commission will also press for a network of BSE surveillance in all member states, a central database on all suspected cases and guaranteed training for pathologists.

Driven partly by the European Parliament's criticism of its management of the BSE crisis, the Commission has more than doubled the staff for consumer affairs under Ms Emma Bonino. The department, which begins work on April 1, will take over some of the work previously done by the agricultural directorate.

FARMING

Retailers are positive over food safety

By Alison Maitland in London

Mr Robert Sloman, who produces beef on the lush coastal grasslands of the south-west England county of Cornwall, has little doubt about the central issue facing farmers.

"Food safety is vital," he says. "The election is going to be fought on food."

Mr Sloman belongs to the Tesco beef producers' club, a group of 2,500 farmers who sell their cattle to slaughterhouses supplying the UK's biggest supermarket group.

He sends his steers 19km to the Bodmin abattoir run by St Merryn Meat, a private company which provides more than two-thirds of Tesco's beef.

The group, in common with other leading food retailers, has in the past year been working to improve the "traceability" of meat from the farm to the supermarket shelf. The group is investing more than £1.5m in the club, which it launched last June. The J. Sainsbury retail chain has about 9,000 farmers in its livestock partnership programme.

Retailers are responding not only to heightened concern about food safety, but also to the need to secure quality supplies when beef output is shrinking, says Mr Sloman.

As a club member, he has to keep detailed records and meet strict criteria on feed, animal welfare and the quality of his beef. In exchange, he has a guaranteed market, a small premium for each animal that meets the standard and proof that he is among the "better" farmers.

The biggest change wrought by the BSE crisis is that he now has to fatten all his cattle for sale well

before they reach 30 months, when they are banned from the food chain.

This has meant a switch from dairy-based beef animals to leaner European breeds such as Charolais and Limousin. "In the long-term, the quality of beef will improve because of BSE," he says.

The cattle are mainly grass-fed, but Mr Sloman has had to double the amount of home-grown barley he feeds as a protein supplement to fatten them for sale at 24-28 months.

Responding to the supermarkets' demands for uniform standards has its difficulties in farming, where no animal is exactly the same as the next, he says. "A lot of people want a factory-looking product, but produced in an old-fashioned way. The two sometimes don't mix."

In spite of this, farmers appear keen to sign up to the producers' club. About 800 producers are awaiting membership and Tesco aims to have 4,500 supplying all its beef within a year.

Traceability is improving. But a steak cannot yet be tracked back to the exact animal or herd from which it came - only to the group of farms which sent cattle to the abattoir on a particular day. "If it becomes a customer issue then we can change," says Mr Andrew Batty, Tesco meat trading director.

The big supermarket groups tend to focus on a few big suppliers among the country's 450 abattoirs. St Merryn is one of only three abattoirs used by Tesco.

Tesco and St Merryn say further developments are needed, notably in electronic tagging and in independent auditing of farms.

FLORENCE AGREEMENT: Brussels unconvinced by slaughter plans

Premier failed to keep promise on ban

By Alison Maitland

Three months into the beef crisis last year, Mr John Major, the prime minister, promised that the UK would be ready to secure a lifting of the European Union's export ban by November.

Today the mood in government is very different. Expectations of any movement on the ban have sunk so low that Mr Douglas Hogg, the agriculture minister, says he is "very chary about a timetable".

It is a tact, if belated, recognition that Britain's guerrilla tactics against the ban last year were counterproductive. The policy of non-cooperation in EU decisions and the stop-go approach to the selective cattle cull served only to offend other member states.

Now the UK claims the ball is back in the EU's court. It says it has fulfilled the five pre-conditions agreed at the Florence summit last June. The way should therefore be clear for the EU to consider the first step in lifting the ban - for beef from herds free of BSE for at least six years. The pre-conditions were to:

● Carry out the selective

The deal...

1. Selective slaughter of cattle exposed to contaminated feed
2. Introduction of an effective cattle ID and tracing system
3. Removal of meat and bone-meat from feed mills and farms
4. Effective implementation of the programme to destroy all cattle over 30 months old
5. Better controls over the removal of specified bovine material from carcasses

UK says...

- Animals traced and first slaughterings begun have taken place in Northern Ireland
- Cattle passports introduced on July 1 1996
- Recall of contaminated feed completed and ban imposed on August 1 1996
- Over 1.3 million cattle slaughtered, backlog cleared
- Regulations tightened enforcement effective

Commission says...

- Pre-conditions fulfilled, but awaiting scientific evaluation
- Proposing improved EU-wide tracing system
- Inspected arrangements, satisfied
- Awaiting Commission inspection report
- Stop the slaughter continuing

slaughter of about 100,000 cattle most likely to have been exposed to BSE through feed containing infected meat and bone-meat.

● Introduce cattle identification and tracking.
● Remove all meat and bone-meat from feed mills and farms.
● Destroy cattle over 30 months old - more than 1.3m have been killed since last May.
● Tighten controls on the removal of specified bovine offals at slaughterhouses.

Commission officials indicated this week that persuading the EU could be a long process, especially in the light of the revelations about conditions in some abattoirs.

One official acknowledged that Commission teams visiting British slaughterhouses for spot checks have found fewer problems each time. "But when member states and the Commission see reports of weaknesses of control and of the authorities doing nothing about it,

that's going to make people wonder," he says. "The pre-conditions for examining a lifting of the ban have been met. But continuing implementation and control will have a very important influence on any lifting of the ban."

The selective slaughter was central to the Florence agreement. The government, having suspended plans for the slaughter in September, gave the go-ahead in December. At the end of last month, the first 210 cattle

were killed in Northern Ireland. Slaughter is expected to start in Britain "in the next week or so", according to the agriculture ministry.

Mr Hogg argues that the preparations mean Britain has "implemented" the programme. The Commission official says other states might argue that implementation meant completing the slaughter - likely to take at least six months.

Britain sent its proposals for an "export-certified herds" scheme to Brussels on February 25, together with a list of the detailed action it has taken.

These have to be considered by a plethora of EU scientific committees. But they will not get there until after April 1, when Ms Emma Bonino, consumer affairs commissioner, takes over responsibility for food safety from Mr Franz Fischler, the farm commissioner, according to the official. Asked if the EU was now guilty of stonewalling, the official says: "Britain could have submitted this eight months ago by taking the necessary action to implement the selective cull. A few weeks is very little compared with eight months."

Mr Fischler hopes to shame farm ministers into backing the plan, rejected by 10 countries last year. His case has been strengthened by confidential studies on member states which show that they are not doing enough to eliminate risk to consumers.

The Commission will also press for a network of BSE surveillance in all member states, a central database on all suspected cases and guaranteed training for pathologists.

Driven partly by the European Parliament's criticism of its management of the BSE crisis, the Commission has more than doubled the staff for consumer affairs under Ms Emma Bonino. The department, which begins work on April 1, will take over some of the work previously done by the agricultural directorate.

POLITICS: disastrous 12 months for agriculture minister

Hogg's political stock sinks ever lower

By George Parker, Political Correspondent

Mr Douglas Hogg has a new nickname among Labour MPs: Swampy. The agriculture minister, like the green activist who disrupts road building schemes by hiding in tunnels, keeps digging himself further into a hole.

Mr Hogg has had a disastrous year. His clumsy handling of the controversies over BSE and abattoir hygiene have sent his political stock plummeting. Most Conservative MPs agree he

would have been sacked by now, had it not been for the proximity of the election.

But remarkably, the Eton-educated, hat-wearing Mr Hogg greets each new setback, humiliating U-turn or embarrassing revelation with a self-confidence that looks like indifference. His critics call it arrogance.

Mr John Major, the prime minister, last week found himself defending his minister for the umpteenth time in the past year, insisting Mr Hogg was doing his work "extremely effectively in the

most difficult circumstances".

Mr Hogg is the son of a distinguished political dynasty and his wife Sarah (now Lady) Hogg headed Mr Major's policy unit from 1990 to 1995.

But he has certainly been dealt a difficult hand since being promoted to minister for agriculture in the reshuffle of July 1996. He inherited an already grim BSE epidemic and appallingly lax standards in abattoirs.

A deft political touch was needed; an ability to reas-

sure the public and a talent for smoothing the feathers of his political opponents.

But Mr Hogg admits that nobody believes him any more on questions of food safety. "I accept - while very much regretting - that, over a long period, people have become sceptical about assurances they have received from ministers and others," he said last week.

Agriculture ministers in Brussels have become infuriated by his abrasive behaviour in meetings.

Tory MPs have also tired

of Mr Hogg's apparent ability to attract political controversy.

Mr Michael Forsyth, the Scottish secretary, has been driven to despair. His officials briefed the media this month that he was fed up with Mr Hogg's "cack-handed incompetence".

But journalists may soon have to do without their staple weekly diet of "Hogg Roasted" stories. Few at Westminster believe he will survive on the Tory frontbenches after the general election.

SCIENTISTS: most are convinced of connection with contaminated meat

Mad cow link to human brain disease stronger but not proved

By Clive Cookson, Science Editor

When Mr Dorrell shocked the House of Commons by announcing 10 cases of the new variant of CJD in young adults, he said: "There remains no scientific proof that BSE can be transmitted to man by beef, but... the most likely explanation at present is that these cases are linked to exposure to BSE."

After a year's intensive monitoring and research, the total number of definite and probable new CJD cases

stands at 16 - and the scientific link with BSE is stronger but not proved.

A few scientists still maintain that the outbreak of this apparently new form of the disease may be due to the unprecedented level of surveillance, revealing cases that would not previously have been recognised as CJD.

But most are convinced that the new CJD is caused by eating meat products contaminated by BSE in the 1980s, before the government banned human consumption of specified bovine offal. Over the past year, more evidence has emerged in favour of the link:

● An intensive search for the disease outside the UK has identified only one case, a young man in France.
● The new variant has a consistent set of symptoms and a pattern of spongy degeneration in the brain that is distinct from the normal "sporadic" form of CJD.

● Biochemical analysis by Dr John Collinge and colleagues, at St Mary's Hospital, London, shows that the prions - infectious protein particles - in the brains of patients resemble BSE more closely than normal CJD. Experiments are taking place in sev-

eral laboratories in the UK and elsewhere to investigate further the "species barrier" against the transmission of prions from cattle to people. For example, Dr Collinge is attempting to pass BSE on to genetically engineered mice that have the human susceptibility to prion diseases - so far with negative results.

Some people have taken comfort from the fact that there have not been more than six additional cases of the disease since the original 10 were announced a year ago. But epidemiologists - who study the spread of dis-

eases through populations - warn that it is too soon to rule out an epidemic that could kill thousands of people over the next 20 to 30 years.

If there is a link between BSE and CJD, the most important factor determining the human death toll will be the incubation period, which is still unknown.

The shorter the average interval between eating contaminated meat and developing symptoms, the smaller the epidemic will be. A recent study by Dr Simon Cousens and colleagues at the London School of Hygiene and Tropical

Medicine suggested that there would be between several hundred and several thousand cases of the new variant if the incubation period was 15 to 20 years.

Epidemiologists are more confident in their predictions about the future course of the BSE epidemic, which affected more than 165,000 cattle in the UK. The number of cases has been declining since 1993 and Professor Roy Anderson and colleagues, at Oxford University, predict that there will be about 7,000 more cases before the epidemic is finally over in 2001.

NEWS: INTERNATIONAL

INTER-AMERICAN DEVELOPMENT BANK REPORT

Reforms 'are having effect on wealth gap'

The gap between rich and poor in Latin America, the largest of any region in the world, worsened significantly in the 1980s and has not improved in the 1990s.

However, lack of progress cannot be blamed on economic reforms aimed at increasing the role of market forces, Inter-American Development Bank economists argue in a paper presented yesterday in Barcelona. On the contrary, income distribution would have been even worse if the structural reforms had not been enacted, Mr Juan Luis Londoño and Mr Miguel Székely conclude. Instead of reversing the direction of reform as many intellectuals were suggesting, what was needed was a broadening of reform - to address growing inequalities in access to education and to the ownership of productive assets.

The paper argues that Latin America's greater income inequality compared with parts of the world such as Asia, Europe and North America stems from two main sources: the region's high concentration of natural resources and - twice as important - its education systems, which have deteriorated over the last 15 years.

In the 1980s, the deteriorating quality of education coincided with falls in income and investment, generating greater inequality.

Increased output and investment reduce income inequalities, as does lower inflation. However, while the economists could not identify links between income distribution and fiscal, financial and privatisation poli-

Reports by
Stephen Fidler
in Barcelona

ties, trade liberalisation has a clear beneficial impact.

"There is no reason to fear or apologise for reforms that are intended to spur growth in incomes, productivity and investment on a sound financial footing. In this regard, the only path is to proceed with more intensive and consistent implementation of reforms," they say.

The paper also warns against excessive reliance on natural resources, which has not provided a successful path for development in the past. Tax incentives to encourage such mining and other natural resource development "can be counterproductive and undercut growth in the economy as a whole and in the general welfare".

The critical issue, however, was education. The largest countries such as Brazil and Mexico must work to improve education and build greater equality of education opportunity. The gap with other regions of the world is two years, "which must be closed in the next two decades".

If these changes were enacted, significant improvements would follow in income distribution. However, it will still leave Latin America with significantly worse income distribution than other parts of the world, with the exception of Africa, two decades from now.

IADB calls for overhaul of labour market laws

Unemployment in Latin America has climbed to its highest levels since 1985, underlining the need to enact reforms of laws that discourage job creation, the Inter-American Development Bank says in its annual report published today.

Unemployment is "a key item on the region's policy agenda", the report says. Preliminary figures suggested that moderate economic growth last year was not enough to prevent unemployment rising to nearly 8 per cent last year. "Highlighting the urgent need to reassess labour market regulations", the report says.

The report also emphasises low investment and saving rates, which "remain insufficient in most countries to sustain adequate rates of growth in output and employment".

Real investment grew nearly 6 per cent last year, more than output growth and exceeding the 1985 rate of investment growth. But the rise was mainly attributable to a recovery of invest-



Enrique Iglesias, IADB president, left, greets Spanish central bank governor Luis Angel Rojo at Barcelona.

ment in Mexico and Argentina, which had collapsed in 1995, and "masks a marked deceleration in the growth of investment in most of the rest of the region".

Real investment grew by about 12 per cent in both Argentina and Mexico, after falling 16 and 43 per cent respectively in 1995. This still left investment in Mexico very low.

In the rest of the region, investment growth fell from about 15 per cent in 1995 to 5 per cent.

The most rapid investment growth in the region was in Chile - 13 per cent - while in Brazil investment grew at

about 2 per cent. Total capital flows to Latin America last year reached \$60bn, higher than in any year but 1993.

However, in 1995, half the capital flows to the region were from official sources. In 1996, as Mexico paid back a large part of its official loans, official capital flows to the region were negative. More than half the total capital flows to the region in 1996 headed to Brazil.

The IADB authorised about \$6.7bn of loans last year, down on the \$7.2bn authorised in 1995 but the second highest level ever.

The IADB president, Mr Enrique Iglesias, has asked member governments to consider a capital increase for the Inter-American Investment Corporation, the IADB's private-sector arm. The IIC came close to being wound up two years ago but officials argue it has complied with tough targets set then - including an increase in equity investments - and deserves augmentation of its \$200m capital.

US progress on derivatives deregulation

By Laurie Morse
in Boca Raton

The US House of Representatives version of a bill for deregulating US derivatives markets could move quickly through committee and be ready for consideration by the full House by August, according to Mr Thomas Ewing, the Illinois congressman who chairs the House sub-committee responsible for derivatives regulation.

The bill, and its Senate counterpart, would ensure that the vast over-the-counter derivatives markets would be exempt from the US Commodity Exchange Act, which regulates listed futures markets in the US.

Both pieces of legislation would also give US futures exchanges the right to open their own version of unregulated markets for institutional customers.

The House bill sponsored by Mr Ewing has the support of the exchanges and the global securities firms that

deal in swaps and other OTC derivatives.

However, the Commodity Futures Trading Commission, the government agency charged with carrying out futures market regulation, objects to the legislation, saying it would curtail the government's ability to detect and deter fraud.

In a speech to a futures industry trade group meeting in Florida last week, Mr Ewing said the CFTC might be exaggerating the dangers of the bill.

Mr Alan Greenspan, chairman of the US Federal Reserve, and Mr Robert Rubin, treasury secretary, have been invited to testify before Mr Ewing's committee in April.

Both Mr Greenspan and Mr Rubin have indicated support for parts of the legislation which clarify the legal standing of certain OTC derivatives transactions. Mr Greenspan has gone further, saying CFTC supervision of institutional traders on listed markets may not be necessary.

Data exchange backed by World Bank

The World Bank is backing the creation of an exchange for infrastructure investment in Latin America. The aim of the Latin American Infrastructure Exchange is to combat poor availability of information which means that, while there is a large demand for infrastructure finance in the region and a reasonable supply of funds, many deals do not get done.

The infrastructure exchange concept is likely to be extended to Asia, eastern Europe and perhaps Africa. The idea was presented in January to a meeting in London of heads of the four regional development banks with the World Bank president, Mr James Wolfensohn.

The proposal, being put forward by the Multilateral Investment Guarantee Agency arm of the World Bank, is for Latin American partners to have a 51 per cent controlling interest in the exchange, with the World Bank group holding the remainder to distribute to non-Latin organisations.

Initially, members would pay \$25,000 for a seat and the number of Latin American seats would be limited to 204.

According to Mr Adnan Hassan of the Multilateral Investment Guarantee Agency, the exchange is likely to be launched this year. Already 26 private and public sector companies have agreed to become founder members, with a further 39 committed to attending a briefing on the exchange in April in Washington.

The exchange, which would be managed by CG/LA, a Washington consultancy, would use Internet technology and carry information about project listings, business conditions, news reports, messaging and conferencing facilities. Discussions were also under way with debt rating agencies to include ratings of projects.

Mr Hassan said the emergence of non-traditional sources of finance - such as funds based in Asia - made the concept of an exchange more useful. Members would provide profiles of what type of projects interested them and relevant information would be directed towards them.

Investors in Latin America more confident

US companies are expressing growing confidence in Latin America as a destination for investment and most still see Mexico as the most promising country in which to invest, according to a survey published yesterday in Barcelona.

The survey of 303 Fortune 1,000 companies, financial institutions such as banks, and portfolio managers, commissioned by Bank of Boston, shows 80 per cent of executives more confident in the region than five years previously.

This increase in confidence is particularly marked among the potential direct investors of the Fortune 1,000 companies, 87 per cent of which were more confident than five years ago and 27 per cent of which were much more confident. Half of this group of 120 investors said US investors should get involved in Latin America immediately.

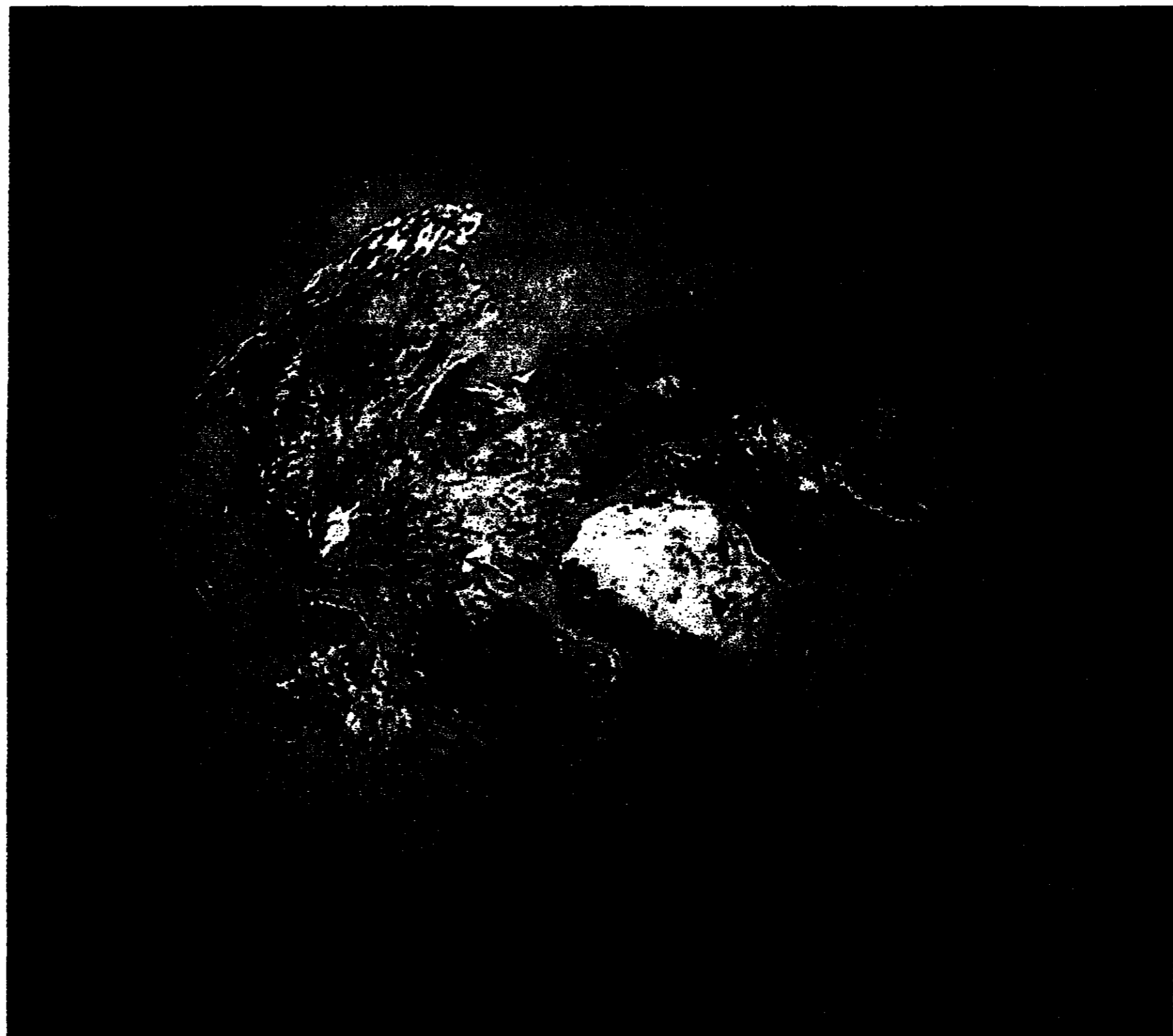
Some 38 per cent of investors said Mexico was the place they would look at first, 19 per cent chose Brazil and 13 per cent Argentina. However, among direct investors 32 per cent favoured Mexico, 23 per cent Brazil and 16 per cent Chile.

Political corruption emerged as the most pressing concern among 36 per cent of companies, while a lack of economic stability preoccupied 22 per cent and the region's unequal distribution of wealth 16 per cent.

The likelihood of increased foreign direct investment in Latin America from all regions was also emphasised yesterday by forecasts released by the Institute of International Finance, a Washington-based think-tank owned by international financial institutions.

It said foreign direct investment should rise to \$33bn this year from \$29.6bn in 1996 and \$19.8bn in 1995. The IIF forecasts suggest Brazil should receive \$12.9bn in FDI against \$9.2bn last year, Mexico \$8.0bn against \$6.4bn, Colombia \$2.8bn against \$3.6bn, Argentina \$1.3bn against \$800m and Chile \$1.5bn compared with \$1.6bn.

However, net investments in Latin America's stock markets are forecast to slip to \$8bn from \$12.5bn.



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THIS WEEK

How America keeps a race apart

As I walked from the subway station to the offices of the Rev Jesse Jackson's Rainbow/Push Coalition at on Wall Street last week, the New York streets were bustling with loud, hoarse-voiced traders, dapper investment bankers and anorak-clad out-of-towners. A reasonably mixed bunch, but wait a minute, at the heart of capitalist America, there were no black people.

Black Americans are still poorly represented in American business. In 1996, the Federal Glass Ceiling Commission reported that only 3 per cent of senior managers at Fortune 1000 companies were black; even fewer blacks have made it to board level.

In recent months, widely publicised lawsuits against Texaco, Avis Rent-A-Car and Mitsubishi Motors have shown racial bias in action. An article in next month's issue of Black Enterprise magazine argues that these cases show "the glass ceiling is alive and well in corporate America. Only,

in the case of African-Americans in the business arena today the glass ceiling is increasingly more like a concrete wall."

According to the Rev Jackson, blacks have been systematically "locked out of the private sector", which takes money from black consumers, but denies black workers equal employment opportunities and boycotts black-owned businesses bidding for contracts. From his new Wall Street office, Rev Jackson plans to target the worst offenders of corporate America and "bring down the walls of Wall Street".

Yet US companies have been putting on a good show of trying to build a culture that is open to minorities. More than half of all US employers have established cultural diversity programmes, according to a survey by the American Management Association.

DATELINE
New York: black people are poorly represented in American business, but what else can be expected from a racist society, asks Tracy Corrigan

But many consist of nothing more than a quick consciousness-raising session for new recruits. Indeed, references to "black jelly beans" on the incriminating taped conversations in the Texaco discrimination case probably

derived from language used in the company's own diversity training. (Cultural diversity, it seems, is commonly explained by the metaphor of a packet of different-coloured jelly beans).

It may just have been PR speak, but the head of Texaco, Peter Bijur, put his finger on the problem in an interview with Business Week. "Unfortunately, we mirror society," he said. "There is bigotry in society. There is prejudice and injustice in society. I can't do much about society, but I certainly can do something about Texaco."

But can corporate America really be expected to succeed where civilian America has failed? Alfred Edmund Jr, executive editor of Black Enterprise, believes that racism is "rooted in how people live their everyday lives". And, in the US thirty

years after enforced segregation became illegal, the way Americans live their lives is separately.

Black people who work in the mainly white workforce of downtown Manhattan generally go home to black neighbourhoods in New Jersey or Brooklyn.

Senior executives of big companies live in Greenwich, Connecticut, and frequent clubs which may have no black staff, let alone the members.

The first time I saw *The Dating Game*, the US equivalent of *Blind Date*, I felt physically ill - and it wasn't the familiar nausea induced by the show's cringe-making format.

In the US show, white guests pick their dates from a visible panel of white-only contestants, while black guests choose from black-only contestants - and

no-one seems to notice. This would be unthinkable in the UK. I am not suggesting that racism does not exist in Britain. It does, along with a class consciousness which pervades almost every exchange, but what the UK does not have is a system of apartheid by common consent.

There are plenty of white people living in Brixton and interracial couples are commonplace. In the US, where it was illegal until 1967 for blacks and whites to marry in at least 16 states, interracial relationships are still taboo. When John Gribsham's book *The Pelican Brief* was made into a film, the love scenes between the two central characters, played by the white Julia Roberts and the black Denzel Washington, never made it to the screen. Hollywood feels comfortable with naked bodies and guns

and bombs, but not with a black man kissing a white woman.

It cuts both ways. Writer and lawyer Lawrence Otis Graham in his 1995 essay "I never dated white girl", argues that black who marry whites "are moving into a different way of life and thought with their white spouse who may lack sufficient understanding and empathy for the plight of black people".

Some white Americans have become so worried about giving offence that they ignore the issue entirely. When Ken Chenault, made president of America Express last month, the New York Times mentioned his race only in passing, but printed prominent picture. In fact, Chenault is in line to become the only black head of a leading public company.

Most white Americans in 1997 are very careful about the language they use. They don't say "some of my best friends are black", but maybe that's because for the most part, they aren't.

The Monday Profile • Thierry Breton, Thomson

From fiction to science

"On October 4, 1986 at 22.36, an AFP newflash told journalists all over the world that flight AF270 was no longer answering. The Air France Boeing 747 from Paris to Tokyo had stopped over at Moscow international airport at 17.00 hours. At the moment it stopped sending a signal, it was flying over Soviet airspace and dawn was preparing to break in this region in the heart of Siberia."

Welcome to the world of a Thierry Breton novel, *More Archer than Ulysses*, the new Thomson chairman's fictional work nonetheless demonstrates both his ability to put his ideas down clearly on paper and his grasp of how profoundly new technology is changing the world.

It also says much about his reserves of energy. At the time *Vatican III*, the novel from which the above is taken, was published, Breton, 42, was in his fourth year as chairman of Formasystèmes, a software development company he founded in 1981.

However, it is doubtful if this product of the French *grande école* system and newly minted *chevalier de la Légion d'Honneur* will find much time for this sort of writing in the testing new role to which he was appointed last week.

His prime task will be to oversee the privatisation of Thomson Multimedia, the troubled French TV maker which the government embarrassingly failed to sell in conjunction with the Thomson-CSF defence electronics giant towards the end of last year.

By any measure, this is a tough and important assignment. The company last year chalked up annual losses of FF3.13bn (€340m), in spite of a second-half operating profit.

Its balance sheet is in a sorry state, with debts of FF18bn and shareholders' funds in negative territory. The government has promised a FF11bn capital injection in the summer, but this has



yet to be vetted by the European Commission.

Moreover, the cancellation of the previous sale, which would have resulted in Multimedia being transferred to Daewoo of Korea, so harmed relations between Paris and Seoul that a special envoy had to be dispatched to Asia to try and patch them up.

It is still possible Daewoo might end up with a stake in the French company, but this time the privatisation procedure will be very different. Thomson-CSF is being sold separately in a move for which Marcel Roulet, Breton's predecessor as chairman

of the Thomson state holding company, will now assume responsibility on a full-time basis. Multimedia's sale will be much slower and will almost certainly be modelled on the staged privatisation of Bull, the computer group where Breton worked as number two to the volatile and opinionated Jean-Marie Descaupries prior to last week's announcement.

The Bull operation was achieved through the entry into the group's capital of a number of industrial shareholders. The first step came in 1995, nearly a year after the European Commission approved a FF11bn capital

injection. It was only last November that the government said it was taking public-sector ownership of the company below 50 per cent. After accumulated losses of FF22bn between 1989 and 1994, this one-time black hole of the French public sector has now reported two consecutive annual profits.

Some of those familiar with the Bull process say Breton demonstrated particular skill in helping manage the relationship with industrial shareholders as diverse as France Telecom, NSC of Japan and US-based Motorola. "The privatisation of Bull was not achieved with one wave of a magic wand," says one. "It was really an industrial process."

Few question this former maths teacher's credentials for attempting to bring off a similar feat at Thomson Multimedia, which still derives more than half its turnover from making conventional televisions and tubes, while branching out increasingly into digital products such as decoders.

In the meantime, Breton's views on how new technology is changing the economics of manufacturing - as set out in a book he co-authored in 1993 with Christian Blanc, the cigar-toting Air France chairman - make interesting reading.

In an automated economy, the two men argue, a society's wealth will depend less on the ability to produce large quantities of a particular good and more on the capacity to create a "great diversity" of goods quickly.

It will probably be some time before the details of Breton's proposals emerge from Multimedia's stylish new headquarters in a converted factory on the outskirts of Paris. But, given his track record, it would be surprising if he did not continue the push into digital technology started by his predecessor.

Le Libérateur du Torus, Librairie Plon, 1994.

David Owen

FT GUIDE TO:

EMU DELAY

European monetary union (Emu) and Europe's single currency are due to be introduced on January 1 1999, but talk of a delay is much in the air. How likely is this?

It depends whom you ask. Nobody in the markets is betting serious money on a delay yet, but the mood has been getting more sceptical recently. Its likelihood depends greatly on Germany's ability to push its budget deficit below 3 per cent of GDP to comply with one of the main criteria for Emu membership stipulated in the Maastricht Treaty.

Whether Emu is held up will depend, ultimately, on politics. Chancellor Helmut Kohl of Germany remains deeply committed to Emu and would agree to delay only in extremis, such as a serious deviation from the Maastricht criteria by a would-be member country or public opinion turning from unenthusiastic to downright hostile.

What would be the economic benefits of delay? There are plenty of economic arguments for and against Emu, but there are few economic arguments in favour of a short-term delay. This is because it would not address Emu's most serious economic shortcoming: lack of real economic convergence between EU countries.

Some have had success moving towards convergence of their fiscal positions, and great success in terms of inflation and interest rates, but there has been little convergence on "real" factors, including economic growth and unemployment, let alone wealth.

What would be the risks of delay? The main risk would be that progress towards convergence could be reversed. This would make Emu even less likely in the future. Interest rates in southern EU countries have dropped sharply in anticipation of Emu, and these gains would be under threat. A delay could result in higher debt servicing charges and larger budget deficits.

Who wants a delay? Who opposes it? The pressure for a delay stems largely from two groups: those who oppose Emu anyway, and see it as an effective way to undermine the project; and those who are concerned that economic convergence may not be sustainable. A delay is opposed by the European Commission, by most European governments and - especially - by large companies and banks, which have been investing heavily in preparation for Emu.

How could a delay be engineered? Both Emu and its January 1999 starting date are unequivocally enshrined in European law. They cannot be undone simply by declaration. One obvious way would be to change the Maastricht Treaty again, but this would require unanimity, plus parliamentary ratification and referendums in some countries. Most unlikely.

What about the "empty shell" scenario? Under the "empty shell" scenario, Emu would go ahead on time - to satisfy the formal requirements of the treaty - but no country would take part. Formally, the European Council could rule that no countries had fulfilled the convergence criteria.

But Luxembourg and Denmark have already done so, and several others are clearly on target to do so. In desperation, Europe's exchange rate mechanism could be suspended for a few hours one Sunday to ensure that no country, not even Luxembourg, fulfilled the requirement of two years' uninterrupted ERM membership.

Could Emu start without Germany? Legally, yes. In practice, no. Germany is the biggest trading partner of most EU countries, and several currencies have traded at or near parity with the D-Mark for many years. Decoupling from the D-Mark would defeat the whole purpose of Emu for these countries.

So where does that leave us? It probably leaves us with Emu going ahead or time, if only because none of the delay scenarios holds much appeal. They may create more problems than they solve.

How does the German constitutional court fit in? The German constitutional court looks large in the background. In a landmark ruling on October 12 1993, the court attached conditions to Germany's ratification of the Maastricht Treaty. It said specifically that "Germany is not subordinating itself to an unclear, automatic and uncontrollable mechanism leading to currency union." The court could theoretically stop the German government from participating. The chances of a negative verdict would increase with the extent to which the criteria were fudged, but court rulings are not always clear-cut and usually leave a few back doors open for the government.

If Emu were to be delayed, when would this be decided? Since the main argument for a delay would concern failure to meet the Maastricht criteria, the greatest risk would be at the time when such failure became apparent. At the earliest, this could be this summer, when governments have clearer ideas about 1997 tax revenues. A decision before the Amsterdam EU summit in June is unlikely.

Should companies stop their preparation because Emu may be delayed? Of course not.

Wolfgang Münchau

Robert Chote • Economics Notebook

World Bank faces the future

The institution is prepared to pay to beat bureaucratic inefficiency

The World Bank is suffering from a crisis of effectiveness. The Washington-based development organisation is centralised and cumbersome, its services are out of date, its culture is inward-looking and bureaucratic, its finances are deteriorating and it has been weakened by a decade of botched reorganisations. These are the sorts of criticisms which you would expect from hand-wringing development lobbyists or right-wing bureaucratic-baiters, both of whom delight in attacking the World Bank from opposite ends of the political spectrum. But these criticisms are internally generated and officially endorsed - they underlie the "strategic compact" proposals with which the World Bank's president, James Wolfensohn, intends to reform the institution once and for all.

At a time when bureaucracies around the world are under pressure to save money, Wolfensohn's restructuring proposals are an audacious attempt to buck this trend. Last month, he circulated plans to his board which involved adding \$250m (£157m) to the organisation's running costs over two years and spending up to a further \$150m laying off staff who lacked necessary skills.

His objectives include shifting resources from back-office support to front-line lending and development programs, as well as spending more on training and a "knowledge-management system" which will spread best practice through the bank.

Wolfensohn made no apologies for the scale of his original proposals which would have added 11 per cent to the organisation's running costs and reversed the budget cuts imposed by his predecessor, Lewis Preston, under pressure from the bank's leading shareholders.

The document Wolfensohn circulated to the board said the bank had a critical choice to make: to commit to fundamental renewal or "continue with the past pattern of incremental change - punctuated by disruptive reorganisations - which has failed to reverse the slide in relevance and performance".

There was widespread support for the substance of the compact among the bank's executive directors, but the costs were bigger than almost anyone expected. Several countries said the financial implications were unacceptable and Wolfensohn was forced to come back with modified proposals.

He said the \$250m running cost increase could be spread over an extra six months, so it fell within three annual budgeting periods. Running costs would then be reduced to a level no higher than they are now in real terms by fiscal year 2001, saving a total of \$122m between now and then. He also promised that the progress of the restructuring would be reviewed every six months.

This appears to have satisfied Germany and Japan, but some of the bank's other leading shareholders - notably the US, the UK and France - have yet to signal their approval. The modified

plans will be chewed over in their national capitals over the next few days, before the board takes a formal decision on the compact this Thursday. Board members will be asked to endorse its principles and to provide budgetary authority for the first tranche of redundancy costs.

Even if the proposals are approved this week, some bank officials fear they will remain a political hostage to fortune for the duration of the restructuring. The compact does not require fresh money from the bank's shareholders because it can be paid for from the net income which the bank generates from its lending activities. But nonetheless officials fear it will become more vulnerable still to attacks from US legislators, many of whom are inherently ill-disposed to international bureaucracies. This is particularly worrisome when the Clinton administration is struggling to secure enough money from Congress to make its promised contributions to the bank's soft-loan arm for poor countries.

This raises some questions about Wolfensohn's tactics in proposing the compact when he did. It may have been better to wait for further progress from the bank's cost-effectiveness review which got under way last month. This involves bank management, staff representatives and experts from KPMG, the international consulting firm, examining the impact of the bank's organisation, processes, policies and staffing on its cost structure. It is due to report in June, so that management can decide by September what steps should be taken. Its conclusions will be important to the shape of the compact, because \$170m of the gross restructuring cost is

supposed to be met from internal savings and the redeployment of existing resources.

A second question is whether Wolfensohn should have sugarcoated the pill of his proposed cost increases by suggesting how the bank might increase its revenues. The bank's income is expected to decline over the medium term and the board will hold a seminar soon to discuss how this trend might be reversed. In spite of offering the best financial terms in the market, the bank's lending has declined in real terms since 1995, which suggests that its financial tools need updating. The bank might also consider increasing the charges it imposes on those of its middle income borrowers that now have greater access to private capital markets.

But the compact is largely about doing what the bank already does, only better. Its shareholders may have been happier with a more far-reaching analysis which questioned the functions of the World Bank group. Possibilities might have included the full or partial privatisation of the International Finance Corporation, the arm of the bank which lends to private enterprises.

For now, questions of fundamental reform have been left to one side. But if the bank wins approval for the strategic compact, only for results to be achieved less quickly than its shareholders expect, then it risks finding itself in the unenviable position of the United Nations - having reform driven from outside rather than within.

Prices for electricity generated by the purpose of the electricity generating and distribution companies in England and Wales, based on 1996/97 prices, in pence per kWh, excluding VAT.									
10 year average		Retail Prices for Electricity		Retail Prices for Heating		Retail Prices for Heating		Retail Prices for Heating	
1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
0000	16.50	11.68	11.60	11.60	11.60	11.60	11.60	11.60	11.60
0100	36.84	36.84	36.84	36.84	36.84	36.84	36.84	36.84	36.84
0200	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
0300	34.84	34.84	34.84	34.84	34.84	34.84	34.84	34.84	34.84
0400	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
0500	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
0600	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
0700	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
0800	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
0900	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
1000	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
1100	32.46	32.46	32.46	32.46	32.46	32.46	32.46	32.46	32.46
1200	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
1300	46.47	46.47	46.47	46.47	46.47	46.47	46.47	46.47	46.47
1400	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
1500	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
1600	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
1700	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
1800	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
1900	36.84	36.84	36.84	36.84	36.84	36.84	36.84	36.84	36.84
2000	36.84	36.84	36.84	36.84	36.84	36.84	36.84	36.84	36.84
2100	45.59	45.59	45.59	45.59	45.59	45.59	45.59	45.59	45.59
2200	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
2300	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
2400	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
2500	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
2600	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
2700	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
2800	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
2900	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
3000	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
3100	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
3200	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
3300	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
3400	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
3500	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
3600	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
3700	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
3800	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
3900	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
4000	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
4100	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
4200	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
4300	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
4400	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
4500	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
4600	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
4700	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
4800	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
4900	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
5000	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
5100	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
5200	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
5300	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
5400	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
5500	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
5600	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
5700	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
5800	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
5900	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
6000	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
6100	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
6200	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
6300	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
6400	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
6500	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
6600	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
6700	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
6800	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
6900	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
7000	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
7100	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
7200	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
7300	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
7400	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
7500	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
7600	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
7700	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
7800	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
7900	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
8000	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
8100	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
8200	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
8300	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
8400	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
8500	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
8600	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
8700	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
8800	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
8900	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
9000	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
9100	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
9200	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
9300	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
9400	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
9500	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
9600	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
9700	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
9800	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
9900	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77
10000	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77	11.77

Plan to set up private Net for City

By Nicholas Denton

Financial institutions in the City of London would conduct securities transactions and receive market information over their own private version of the Internet, if plans being pushed by a leading consultancy come to fruition.

Port, the planned City of London web, would subsume what its developers describe as the "spaghetti junction" of the existing 100 networks built by organisations such as Reuters, Swift, Crest and Gaps.

"This is about the industry gelling together to stop this mess of wasted energy and resources," said Mr Stanley Young, co-ordinator of the project and a partner of Andersen Consulting, the P consultancy.

Because Port would use infrastructure from companies such as BT, its costs would consist largely of the purchase of central computers to route traffic. Andersen estimates implementation would cost less than £100m (£50m).

Financial institutions - which spend an annual £70m on the development, operation and maintenance of computer systems, and their connections to outside networks - are expected to save 500m a year.

The project's originators are Andersen Consulting and the Company of Information Technologists, a group representing IT professionals in the City of London and led by Sir Brian Jenkins, chairman of Woolwich Building Society.

"The project is embryonic, but it claims tentative support from banks such as UBS, fund management companies such as Gartmore Investment Management and information providers such as Reuters.

One of Port's first functions would be to allow fund managers, which typically feel out prices from stockbrokers by telephoning around, to seek expressions of interest electronically.

Other potential uses include confirmation and settlement of trades; relaying of real-time information from vendors such as Reuters; distribution of broker research; and publishing of new issue documentation.

Port would exploit the Internet communication protocol, which has provided a common language for computer systems, but information would travel over a high-speed private network rather than the public Internet.

Banks were cautious yesterday about the Port initiative. "Conceptually it is very interesting," said Mr Keith Edginton, head of information technology at UBS in London. But he said the proposal was still to be defined.

Several companies, such as Reuters, support the idea in principle but are already developing their own private Internets to connect with clients. A proliferation of these overlapping networks would negate Port.

However, some financial centres see a coherent private Internet as a means to improve their international competitiveness. Singapore's government has made a high-speed private network part of its plans for an "intelligent island".

Non-UK banks boost presence

By Nicholas Timmins

The number of non-UK banks in London continued to expand in last year. A record 561 now have branches, subsidiaries or representative offices in the capital.

The net increase of 30 - with 16 leaving and 36 moving in - follows a similarly sharp rise last year, according to the annual survey from Noel Alexander, a London based banking consultancy.

Growth was particularly strong among those opening substantial operations - branches or subsidiaries, as opposed to representative offices - with 14 opening operations last year against eight in 1995.

The increase was most marked for European banks, with 28 moving in and seven leaving. That included a sharp influx of Russian banks, nine of which opened representative offices last year. Only two left.

Thirty-five European banks have now moved to London in the past two years, said Mr Noel de Berry of Noel Alexander. This highlighted "a paradox - that as Britain seems to be becoming more hesitant about Europe, European banks are still making it clear that they view London as the place to be".

After a decline in the 1990s, the number of US banks is slowly increasing again. Prudential-Bache International was one of three US banks to open operations last year, shifting its overseas headquarters to London from Luxembourg. The other two, Capital One and People's Bank of Connecticut, are credit card used operations, providing further competition to Visa and Mastercard.

Banks listed as having "left" include mergers: Chemical Bank's with Chase Manhattan and NBD's with First Chicago.

There are now 53 US and 42 European banks in London. The number of Arab banks has remained static and Japanese banks are down two, reflecting difficult economic conditions in Japan, according to Mr de Berry.

The statistics, which stretch back 20 years, reflect the growth of London as a financial centre.

There are now twice as many non-UK banks in London as in 1976.

Plan to sell off airwaves unveiled

By John Kampfner and Paul Taylor

Plans to privatise the telephone airwaves by selling parts of the radio spectrum to private bidders will be announced by the government today in a further attempt to demonstrate that it has not run out of fresh policies to put before the electorate.

The plan, to be outlined by Mr Ian Lang, the trade and industry secretary, will force companies seeking to provide mobile telephone and radio-paging services to bid for frequencies under a leasing arrangement. The frequencies will be divided into national, regional and local frequencies, with the UK-wide leases likely to extend for up to 10 years.

The proposal could raise an extra £1bn (£1.58bn) for the exchequer and encourage more efficient use of the radio spectrum by both commercial operators and other users such as the Ministry of Defence, one of the biggest holders of radio spectrum rights.

"This will place Britain in the vanguard of the digital future," an aide said. "It will liberalise the overcrowded communications spectrum and put it to more efficient use."

However, the proposals are likely to be opposed by existing mobile telephone operators which have each spent hundreds of millions of pounds building nationwide networks. Existing operators will also point out that the mobile communications industry has given the economy a significant boost in the 1990s generating revenues of up to £12bn a year.

The government's revenue estimate is based on yields from a similar sell-off in the US, where the federal government has raised over \$20bn by privatising the radio spectrum.

Under the plan, the radio communications agency would administer bids for parts of the radio spectrum from interested companies. Existing licences awarded to mobile telephone network operators including Vodafone, Cellnet, Orange and Mercury for fixed periods would remain valid.

Study highlights strong growth since 1979 but points to inequality and skills shortages

Government reforms 'may have halted decline'

By Simon Kuper in London

The UK's economic decline relative to other European countries may have ended thanks to government reforms, according to a study published today by the Social Market Foundation, the independent think tank.

The quality of investment, industrial relations and productivity growth have all improved since 1979, according to the study by Mr Nicholas Crafts, professor of economic history at the London School of Economics.

The government is likely to seize on the report to counter claims by the opposition Labour party that the UK economy has slipped relative to the rest of the world since the Conservatives regained power in 1979.

However, the study says some "Tory reforms, such as privatisation and tax changes, had contributed to a 'rapid rise in inequality of incomes'". It adds that a new government could "find it quite difficult to raise the growth rate by very much", partly because of the UK's low investment levels since 1980.

The report also notes "con-

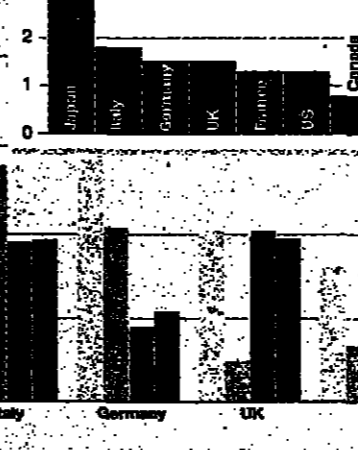
Growth of output

Per cent per year



Growth in real GDP per person

(1979-84, % per year)



tinuing worries about innovation and skills".

The UK ranked 17th in the world in per capita gross domestic product in 1994, having been second behind Australia in 1970.

Its worst relative decline came between 1960 and 1973, the world's economic "Golden Age", when it was overtaken by eight western European states. The UK in these years made more

costly policy mistakes than most other countries, says Mr Crafts.

Total investment in nationalised industries "was unusually high and the return on it astonishingly low"; the UK spent too much on prestige research projects, particularly in aerospace and nuclear power; it set taxes too high; and ran unpredictable, short-termist macroeconomic policies.

The country did badly at introducing new technology, partly because poor industrial relations made it hard to dismiss employees.

The economy suffered from weak productivity growth as well as low investment. But between 1979 and 1994, UK GDP per person grew by 1.5 per cent, faster than in France and the US and on a par with Germany.

The UK should loosen monetary policy in order to weaken the pound, says a report today by Professor Patrick Minford, a senior Treasury adviser. He says that if the pound stays at its present high level the UK economy will grow by about 2 per cent this year, compared with previous forecasts of 3.5 per cent, Simon Kuper writes.

Prof Minford calls on the government to lower interest rates "for a significant time, before reverting to the necessary domestic monetary pressure". This will create little risk of inflation, he says, because the pound's recent rise has had a deflationary effect.

Prof Minford's comments

may rattle the Treasury and the Bank of England, the UK central bank, which have done nothing to counter the pound's rise, targeting inflation instead. Sterling has rallied 15 per cent against a trade weighted basket of currencies since August. It is now only 2 per cent weaker than on "Black Wednesday" in September 1992, the day it was withdrawn from the European exchange rate mechanism.

Prof Minford calls the rising pound "an invisible poison, destroying companies' gross profit margins roughly 1 per cent for every 1 per cent on the pound". He points to profit warnings on the stock exchange and to signs output is stagnating.

The UK slipped from 13th place in the GDP per capita league in 1979 to 17th in 1994, due mainly to the rise of the Asian tiger economies.

The only European country to overtake it was Italy.

Mr Crafts says that while the volume of UK manufacturing investment has stagnated in the Tory years, its quality has probably improved, as less is carried out by nationalised industries and more by foreign companies. Job cuts and closures in the 1980s helped boost manufacturing productivity.



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MANAGEMENT

Failing to get the message

E-mail's advantages could be lost by staff misusing it, says Vanessa Houlder

If the champions of electronic mail are to be believed, this is one business tool that managers ignore at their peril.

The slowness of European companies in adopting e-mail is holding them back, according to Andrew Grove, chief executive of Intel, the leading supplier of microprocessor chips to the personal computer industry.

"These applications let you react in minutes and hours instead of days," he said recently. "In that sense, Europe is way behind."

Grove is not alone in singing the praises of e-mail. It allows messages and documents to be sent cheaply and quickly, anywhere in the world, regardless of time zones. It reduces bureaucracy, cuts across hierarchies and allows managers to communicate directly with everybody in the company.

But e-mail is not an unmitigated blessing. Increasingly, companies are facing up to e-mail-related problems such as legal liability, invasions of privacy, threats to confidentiality, risks to the network's security and "information overload" of its staff.

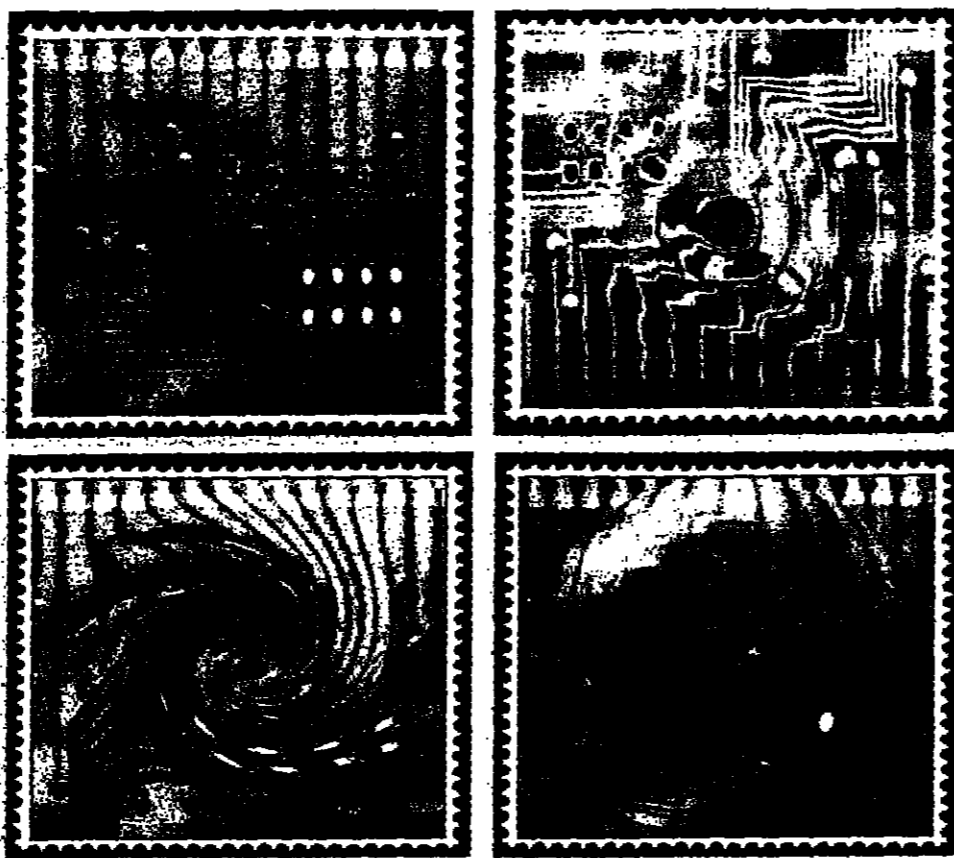
Concern about these issues is not just an excuse made by technological laggards. Computer Associates, one of the largest software companies in the world, took action to stop employees wasting time by continually checking their e-mail. Staff are only allowed to log on to their e-mail for set periods in the morning, at lunchtime and at the end of the day.

Being overwhelmed by an excessive volume of e-mail is an increasingly familiar problem. Smythe Dorward Lambert, a communications management consultancy, has just conducted a survey of 259 UK organisations which uncovered widespread carelessness in the way that e-mails were structured and distributed. It is common for managers to find 100 messages when they return to the office at the end of the day, it said.

In some companies, e-mails are sent with abandon. Every member of staff in one international company received the message: "Would the owner of a red Biro left by the second floor coffee machine like to come and collect it?"

Important messages risk going unnoticed when too much e-mail is sent. Dave de Long, a researcher at Ernst & Young's Boston-based Center for Business Innovation, recalls interviewing a chief financial officer of a large company based in Silicon Valley for a study on e-mail use. This executive once found 2,000 e-mails waiting for him, after he had been away for a week. In despair, he deleted the whole list, without looking at a single message.

Another reason why too much e-mail is sent is that it is often used as a political tool, according to Smythe Dorward Lambert. Old



e-mail messages are hoarded, sometimes for more than a year, in case they will be needed to protect an individual's position. As well as slowing the atmosphere, this takes up valuable disc space and slows the system down.

The conscious hoarding of old messages is only part of the problem. Companies can find themselves in legal difficulties because old messages - which were assumed to have been deleted - were automatically

backed up and discovered by a lawyer pursuing a discrimination or unfair dismissal case.

E-mail is often incriminating, says a report by Gartner Group, a Stamford-based research company. "People who would never become emotional or inflammatory in an open business meeting will sometimes express their thoughts and feelings with great frankness when typing a message on the computer," it says.

The risk that employees' e-mail

could give rise to litigation means that many companies reserve the right to read their staff's e-mail - usually after warning them that the system should not be seen as private. However, many staff will view this action as an invasion of their privacy - particularly since most companies allow some personal use of e-mail.

A related issue concerns the protection of sensitive information. Information can get into the wrong hands, simply through

carelessness. E-mail can easily be misaddressed; it is also easy to copy, circulate and forward. Some US financial organisations tackle this issue by scrutinising every outgoing e-mail, according to Jim Browning, a researcher at Gartner Group.

In other cases, leaks are not accidental. Safeguards such as encryption and digital signatures offer only a partial degree of protection from hackers.

Hackers from both inside and outside the organisation can be a problem. In one high street bank, a disaffected senior manager would ask one of his IT specialists to back into the system if he wanted to know what was happening in the human resources department, says Goodman at Smythe Dorward Lambert. He advises anyone who wants to distribute sensitive information to do so on paper.

Some of these problems can be partially tackled by new technology. For example, filters on company "servers" can provide a mechanism for screening out junk e-mail and hazards, such as viruses on e-mail attachments.

Users can also employ so-called "intelligent agents" - software that can be trained to act on behalf of the user - to sort, file and delete e-mail. The introduction of intranets - company-wide networks - may also lessen the pressure from e-mail overload, because information can be made available on internal websites.

Many companies, however, prefer to deal with e-mail problems by introducing rules and guidelines. In the US, most companies are adopting formal e-mail policies, according to Browning at Gartner. These usually cover legal and security matters, together with guidelines about message style and the frequency with which messages should be sent.

In some cases, these guidelines are strict. A Canadian oil company limits all employees to one screen per message; a telecommunications company bans all inter-departmental communication that has not been approved by the corporate centre. Some companies are experimenting with notional charges for sending messages.

Although formal policies may seem heavy-handed and bureaucratic, the growing use of e-mail will accentuate problems if they go unchecked. The use of e-mail in the US will go up from 15 per cent of the total population to 50 per cent within five years, according to Forrester, the Massachusetts-based market research company.

The immense advantages of e-mail could be overshadowed if people misuse it. "If used effectively, it is a brilliant two-way communication channel," says Goodman. "When not used well, it can create more problems than it is worth."

Points of contact

Why do some people like e-mail and feel in control of it, while others feel bewildered? Research in the US suggests those who successfully use e-mail at work:

- Do not try to read all messages.
- Remove themselves from voluntary distribution lists.
- Keep their inboxes small.
- Keep a small number of mail folders.

Conversely, those who describe their e-mail use as being out of control and feel they may be missing potentially important information:

- Read mail at irregular intervals, or constantly.
- Try to read all their mail but often do not succeed.
- Keep hundreds of messages in their inboxes.
- Often do not get to the bottom of an inbox.
- Want to save a large percentage of their mail.

- Maintain many mail folders on diverse topics.
- Have difficulty finding messages.

The researcher found that some people want a system that manages their mail before they see it: a sort of cyber-secretary. Others are adamant about reading all their incoming mail first, but want subsequent help to store and retrieve messages.

The first group is classified as "prioritisers". They are interested in limiting the time they spend with e-mail and maximising efficiency. They want help in selecting important messages to be read immediately, deleting ones that have been finished with and organising the rest for later reading. They are willing to risk missing an important message for the sake of efficiency in managing their mail.

These people are not necessarily more successful at managing their time than others. But they

are more likely to describe management as a central feature of their work.

The second group are described as "archivers". These people want to ensure that they read every message and are willing to spend extra time with their mail to avoid missing a potentially important message. They want help in categorising and storing messages, and want better tools to aid in the later search and retrieval of messages.

Archivers are not necessarily just hoarders, afraid to discard anything. They regard the gathering, digestion and distribution of information as critical.

These users are not necessarily well organised. Some are efficient at storing and retrieving messages, but others are very disorganised. They spend much time searching for messages.

Adrian Furnham



Mark Kotucha (left) and Tim Loughton, annual turnover of £1m

PARTNERS

Netlink Internet



Mark Kotucha, 32, and Tim Loughton, 34, a director of private asset management at Robert Fleming.

started Netlink Internet in 1995. They specialise in providing websites and registering company names on the Internet. Both are prospective parliamentary candidates for the Conservative party. Tim will stand in Shoreham; Mark in Liverpool. Their company has an annual turnover of £1m.

Mark: "Tim and I became friends at the Wandsworth Conservative Association in 1990. We were both Thatcher fans - me in particular, as I grew up in Finchley and would see her every week. When I started Netlink, Tim was the first person I called."

We'd spent a lot of time talking business and politics, so I knew he was someone who understood new ventures and was prepared to put his money where his mouth was. The first thing he did was to carry out a law and order survey on his constituents in Shoreham, via the Internet. It's a rather sleepy place with one of the oldest political profiles so we were both surprised that he got a decent response.

Tim has his day job, which is good because he's not completely immersed and can offer a slightly distanced perspective. A lot of City people know everything about business, yet they couldn't run a wheat stall. Tim is just on the side of someone who could because his involvement with politics has given him the ability to listen to other people's points of view.

As prospective parliamentary candidates we've both spent time in urine-infested council blocks canvassing for votes. It's a great leveller to find yourself

completely out of place. You have to be bullish and confident in politics, which in my experience are the same qualities you need to run a business.

Tim: "I didn't understand a word of what he was talking about at first, so I bought myself a computer and learnt from scratch. Mark had originally wanted to run a recruitment service on the Internet, which looked exciting until another company stole a march on us."

You can't afford to stand still in this business, otherwise you're eclipsed. A while ago he was talking about Internet services in the emerging markets. I told him it all sounded fascinating but best we got on with what we're doing."

Mark would have us bogged down in endless fledgling ventures. Once he's brought back to planet earth, he becomes more focused. I go into Netlink on an as-and-when-required basis, like presentations and pitching to clients, which can be done in the evenings. I don't have a great deal of spare time, which means we have a lot of breakfast meetings. I couldn't work in the same office, he's far too disorganised.

In many ways he's a complete enigma. He seems to prevaricate a lot, yet he still manages to get things done.

Our interest in politics has definitely strengthened the partnership because it means we share the same philosophies on life and business. Netlink Internet is about communicating information and exchanging ideas. Being a politician is also about communication and marketing ideas. The main difference is in the reward: with Netlink efforts reward us with payment; in politics they hopefully reward us with their vote."

Fiona Lafferty

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FINANCIAL TIMES
Financial Publishing

Stakeholders step up for the generation shuffle

It is a confusing business to be a boss in stakeholder Britain. In the old days you knew where you were: if you kept your shareholders happy everything was all right. Then came the great stakeholding idea and suddenly companies had to start balancing the needs of their owners with those of their staff and customers too.

But now matters have got much worse: the goody-goody Co-operative Bank has just identified no fewer than seven stakeholders. In a speech given last week to the Fabian Society, Terry Thomas, the bank's managing director, said the bank's stakeholders were its shareholders, customers, staff, suppliers, the local community, society at large, and past and future generations.

I suppose one can accept the first six, although quite how a company is supposed in practice to juggle all these interests is a question that no one seems to have answered yet. But past and future generations? As in: I have decided not to do this deal because it would make my grandmother turn in her grave? Or: My unborn grandchild is strongly in favour of this joint venture?

Mr Thomas argues that a company must respect its past and it must also hope to have something better to pass on for the future. As a vague principle this seems perfectly proper, but to raise the status of the dead and the unborn to the same level as other stakeholders does not seem a particularly practical way of running a business.

In any case, if the term stakeholder is that broad, why stop at seven? What about the animal kingdom? And what about competitors? Mr Thomas has already warned us not to be too greedy - so it would seem reasonable to be generous with our competitors in order to make sure that their businesses do just as well as our own.



Lucy Kellaway

Tired of teambuilding courses that involve scaling a rock face in sub-zero temperatures? Here is a much better idea - get together with your colleagues, cook a three-course meal and then eat it. Leith's School of Food and Wine has hit on this as the latest in corporate training - and so far the executives seem to love it.

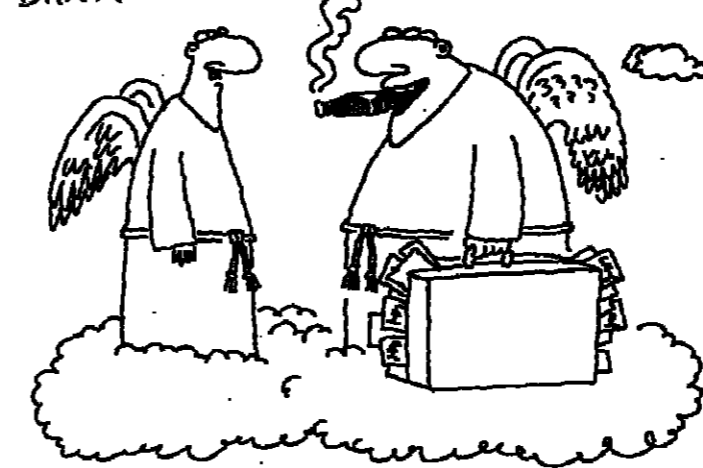
While it is hard to believe that chopping carrots together helps teams perform better (any more than dangerous outdoor pursuits do) at least these managers are learning something useful. And who knows,

it could do wonders for their team skills at home. Or maybe not.

Many of the executives who have rolled up their sleeves and put on aprons do not have the first idea how to boil an egg, and the fact that at the end of the session they have produced something wonderful says a lot about the teacher. "I never realised I was so good at cooking," they say smugly. They are not. But what they are good at is taking the credit.

The latest from the stress industry: a personal electronic stress arrester.

BANX



"I TOOK MY STAKEHOLDING WITH ME."

For £24.99 you can have a handheld gadget that will tell you - if you can work out how to use it - how fast you are breathing. And then you can try breathing again more slowly.

Quite why you need a gadget in order to help you breathe more slowly is not clear to me, but Sir John Harvey-Jones is impressed. "At last, an effective way to wage war on stress," he is quoted as saying on the packaging. I am not surprised to learn that Sir John is suffering from stress. The former chairman of ICI endorses so many books, courses, products (more than Tom Peters) that just looking at so many must send his breathing rate shooting up.

A key is something you use to let yourself into your house, and a take-away is something you buy when you cannot be bothered to cook. But a "key takeaways" turns out to be not remotely like either. I came across this term in a Wharton brochure, where it is used to describe things they teach you at business school. Listed under the "key takeaways" from the courses on leadership is "Learning how to leverage differences and release the full potential of the individuals and groups in your organisation." I'd rather have a pastrami with extra cheese any day.

I've had various letters complaining that my suggestion last week was not new. Readers tell me they have been scribbling replies on the original letters and sending them back for years. Of course the suggestion is not new. In management there is rarely a genuinely new idea. The challenge is not to search out novelty, but to sift through the grandiose, the pompous and the plain daff and hope you may stumble on something that sounds like sense.

**“What IT managers read to put
developments in their fast-moving
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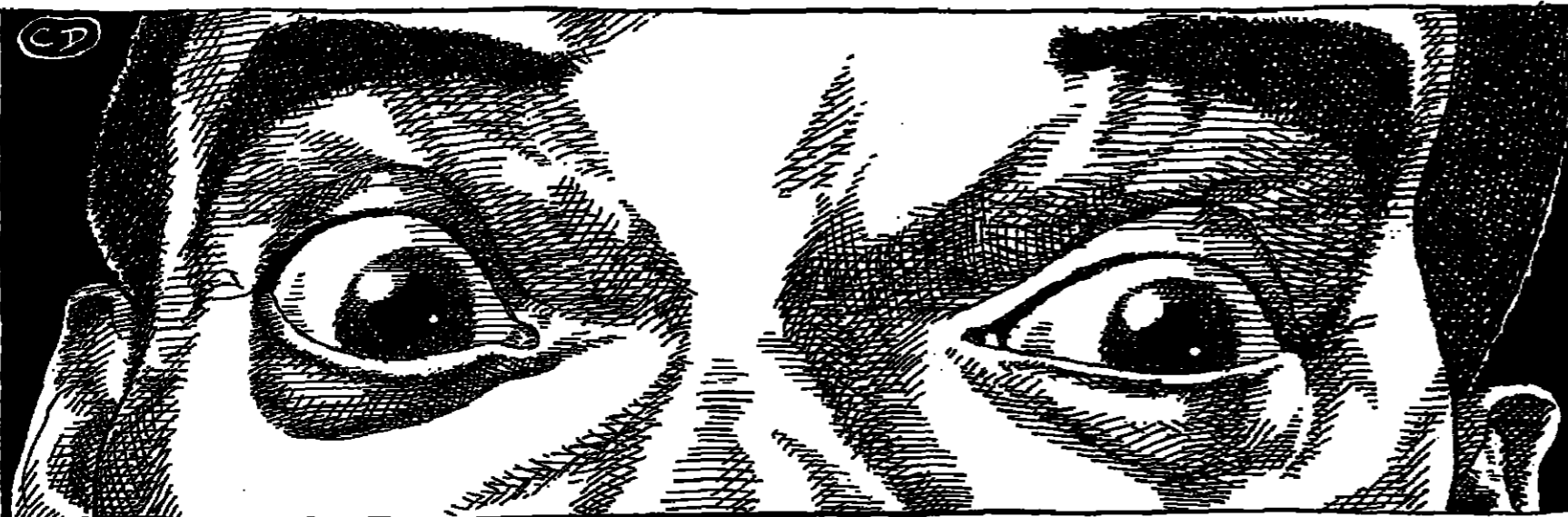
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MARKETING / ADVERTISING / MEDIA



Advertisers eyeball the Net

The long-promised commercial pay-off is close enough to taste, writes Nicholas Denton

How exactly do you make money on the Internet? Few are asking this question more anxiously than publishers. Many Net users expect the new medium - its traditions framed by its history as a network for academics - to remain free.

Electronic transactions are taking off slowly. Charging people subscriptions, for all but a few publications such as Playboy's online product, just seems to drive readers away. Slate, the high-brow electronic magazine published by software company Microsoft and the US Journalist Michael Kinsey, is one of several publications to delay charges.

Enter advertising. Mary Meeker, technology analyst at Morgan Stanley, the US investment bank, sees hope for Net publishing in the history of other new media. "There was turmoil at the beginning of every medium," she says. "How are we going to make this work? people asked themselves. Advertising always came in as a saviour."

That is now happening. The online advertising market, which barely existed in 1994 and was worth \$55m (£35m) in 1995, exceeded \$40m last year, according to Jupiter Communications, the market research company. On the back of this advertising growth, Yahoo, the leading search engine (or navigation service) for the Net, moved into the black in its most recent quarter, much earlier than Wall Street had expected.

"Keep all this in perspective:

this is all fledgling," cautions Peter Storck, head of Jupiter's online advertising research. But it expects Net ad revenue to reach \$6bn by 2000: faster growth than that for radio, television or cable television in those industries' early years.

These forecasts are spurring the advertising industry on. Softbank Interactive Marketing, the largest Net ad sales company, has recently opened in Europe, for instance, while mainstream agencies such as Young & Rubicam - prompted by competition from new media boutiques - have set up departments. Audits, crucial to the confidence of advertisers, are provided by companies such as I/PRO, an associate of Softbank.

This rapid expansion is due to the "eyeballs" - the attention of consumers which advertisers covet - moving to the Net. Radio took 38 years to accumulate an audience of 50m in the US, television 13 years, and cable 10 years, according to Morgan Stanley. But World Wide Web usage in the US should reach that level by 1998, five years after it took off.

There is also the increasing sophistication of advertising on the Net, and the realisation by advertisers that the medium may be ideal for direct communication with consumers.

Advertising in that arena is not an immediately obvious notion. Images, audio and video from the Net - transmitted across ordinary telephone lines at a typical rate of 28.8 kilobits per second - still do not match the quality of

glossy magazines, radio and television. The frustration of waiting for an excessively large advert to download on to a web page can drive a reader to another publisher's site.

However, a standard advertising banner is emerging which, at 468 pixels (screen dots) across and 60 deep running across the top of the page - much like a newspaper masthead - takes up less than 20 per cent of a typical computer screen window into the Net. To accelerate downloading, the Net advertising industry has also set a voluntary limit on the complexity of the image.

Creative departments of advertising agencies are also making better use of the interactivity of the medium. Most banners, when clicked upon by a computer mouse, take the user to the advertiser's web site.

However, many of these are an awkward hybrid of product and corporate information, inflicting the annual report and chairman's letter on unsuspecting consumers. Mark Dickinson, one of the founders of Net advertising agency Indexfinger, says many company web sites are the product of golf-course panic. "Senior management just doesn't get it."

One solution is the "microsite", whereby a banner is linked not to the advertiser's main site, but to a specially designed content which expands on the banner's message. And some advertisers are reducing their own web efforts in favour of sponsoring content

from independent publishers. The interactivity of Net adverts also helps creative departments refine designs. Publishers monitor the number of readers who, on viewing a banner, "click through" to the linked site.

That shows, unsurprisingly, that adding animation and a call to action such as "Click here" typically increases the response rate by 150 per cent. Giveaways are particularly powerful. While a flat banner might generate one "click through" for every 100 views (ie, typically only one person in 100 explores the ad), and an animated banner one in 40, a recent offer of a free trip to Iceland on Yahoo drew one surfer in every five that viewed it.

Advertisers and publishers are doing more than cope with the limitations of the medium. In at least three ways, the Net promises progress.

First, Net marketers can design their campaigns as they go. A traditional direct mail campaign is virtually set in stone from the point at which the millions of envelopes and their contents are ordered from the printers. A Net advertiser could begin with two variants of the same offer, monitor the response day by day, and shift at no extra cost to the more successful version.

Direct marketers, eat your heart out," says Tom Bowman, commercial director of ZD Net UK, a unit of the leading computer magazine publisher.

Second, online adverts can be tailored in quite specialised ways. On Yahoo, for instance, advertis-

ers such as Miller Brewing can now have some confidence that they are preaching to potential converts. A banner ad for Miller Genuine Draft pops up if the user searches for sites about beer.

Third, and most important, advertisers can ensure they only pay for what they get. "Everything that is happening [during a Net session] is being recorded in a log file somewhere," says Tim Reed, I/PRO's director of business development. Advertisers, as well as knowing exactly how many people have viewed their message, know how many were interested enough to click the ad.

Companies such as Procter & Gamble, the US producer of shampoo and other consumer goods, have started to ask why they should not pay for each "click through", rather than per "impression", as with old media. Andrew Batkin, chief executive of Softbank Interactive Marketing, says poor creative work by advertisers is often to blame for low response rates. "[Paying by 'click through'] would be like paying for photos, but only for those which came out well."

Yahoo says it is working with 23 per cent of clients on "performance programmes" under the terms of which it charges \$1.00-\$1.50 for every qualified lead it passes through to a company, which is much the same thing as a "click through". From this to a cut of any sale made as a result is but a short step.

Mary Meeker believes publishers will start thinking they should be getting a royalty.

Ad in the News: Midland Bank

Surprisingly light-hearted

The big banks learnt long ago to avoid over-claiming - or making almost any claim at all - in their advertising. Or so we thought. The experience of many of their customers in high-street branches was so at odds with the images in the commercials that the press seized upon disgruntled consumers' stories to humiliate the banks.

NatWest ditched its "Action bank" slogan, and then had to abandon its ad featuring a "greengrocer's son" when the press ran stories about how the bank treated its small business customers. Not long afterwards we all thought we'd seen the end of Midland's renowned "Listening bank" theme for the same reason.

However, last week Midland's more recent campaign featuring adapted pop songs and the blue "griffin" safe was dropped. Surprisingly, we saw the return of the "Listening bank" in two new commercials featuring the bank's staff as superheroes.

In each, a Midland employee overhears customers talking about problems they have with their banks. One complains about an overdraft fee, wishing she could have a £50 buffer zone; the other bemoans monthly fees for overdrafts. In each case the employee responds by setting off on an heroic series of exploits in the style of the recent *Mission Impossible* movie.

They perform incredible stunts such as clinging on to

the roof of a train and swimming through sewers in order to get to the Midland's "bright ideas" room and put the customers' wishes into practice.

The ads are fast-paced with a soundtrack redolent of the *Tom Cruise* movie, and strike an upbeat note not heard recently in UK bank ads. They most closely resemble the British Airways commercials of the early 1980s that featured stewardesses as Superwomen. They are surprisingly light-hearted for bank ads. Like BA back then, one suspects Midland is aiming these ads as much at its own staff as at consumers.

The ads not only tell us that Midland staff are wonderful, but they let employees know the bank's senior managers think so, too. It's risky stuff, because even now unscrupulous tabloid journalists are probably trying to unearth damaging stories about Midland staff's failure to listen in real life.

The ads signal Midland's new confidence in its domestic high-street business, and its willingness to accept its HSBC parentage positively. They are memorable and different but, with campaigns from Barclays, Lloyds-TSB and Abbey National in the pipeline, a nervous marketing department will be praying that thousands of Midland employees have learnt the script off by heart.

Stefano Hatfield

The author is editor of Campaign.



Heroic exploits in the style of Mission Impossible

CONFERENCES & EXHIBITIONS

HONG KONG - At The Heart of Asia's Finance Seminar
Speakers include Mr. Michael Sz, Executive Director, Hong Kong Trade Development Council; Sir David Ford, Hong Kong Government Commissioner; Dr. Edgar Cheng, Chairman, HK Stock Exchange; Mr. Frank Wong, Chairman, HK Futures Exchange; Mr. Philip Li, Chairman, HK Capital Markets Association; and Mr. Andrew Fung, Chairman, HK Financial Markets Association. Keynote address by Mr. John Bond, Group Chief Executive, HSBC Holdings Plc.
Contact: David Marsden
Hong Kong Trade Development Council Tel: 0171 828 1861
Fax: 0171 828 9976
The Brewery, London EC1

APRIL 29-30
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UK Supply Workshop
A three-day intensive and interactive course designed to provide a thorough grounding in supply and related issues in the UK electronics industry. Organized by Power Inc in association with St Clements Services and sponsored by National Power and SWEB. Tel: 01720 369295
Metropole, BRIGHTON

International Trade Courses
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Fax: 44 (0)171 378 7147

MAY 14-15
Sharing Best Practices Through Knowledge Transfer
This two day conference highlights the methods and frameworks for identifying and managing knowledge to support the implementation of best practices throughout your organization. Contact: Mick Gaynor, Business Intelligence Tel: 0181 879 3355 Fax: 0181 879 1122
E-mail: mick.gaynor@businessintelligence.co.uk

MAY 15-16
City of Moscow 950th Anniversary Conference - New Opportunities in Finance, Investment & Trade, Roundtable with Mayor & Government of City of Moscow, Planning presentation by leading city officials, investment bankers, corporations on trade & investment opportunities in City of Moscow. Unique opportunity to meet the Mayor & Government of Moscow. Delegation will be accompanied by large group of senior Russian bankers & businessmen. Vicky Gibb, SACS Associates, Tel: 44 171 353 7711 Fax: 44 171 353 3455
LONDON

MAY 16
Cross Border Distribution of Investment Funds
One day seminar. Jointly organized and chaired by the IFID International Tax Academy and Coopers & Lybrand. Special guest speaker: Mr. Yves Heisch, Treasury Director, Ministry of Finance, Luxembourg. Contact: Martine van der Weg, IFID International Tax Academy, Amsterdam, The Netherlands. Tel: +31-20-626-7736 Fax: +31-20-620-9297
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The 1997 Food & Drink Industry Forum
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TO SAVE ALL THESE TREES WE HELP CHOP DOWN THIS ONE.

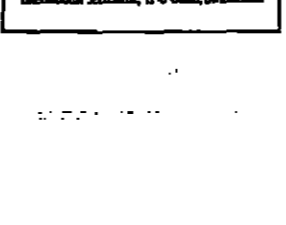
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BUSINESS EDUCATION

Matthew Kaminski travels to Riga to assess the latest developments in post-Soviet management education

Swedish bread funds salad days

The wood parquet floor and the six stone furnaces in the dean's office are beautifully refurbished. His green Swedish furniture adds a modern flair. It is a mix of the old and the new which characterises the only pan-Baltic business school.

The Stockholm School of Economics in Riga opened its doors in 1994, just three years after the Baltic countries regained their independence and started reviving rich commercial traditions dating back to the era of the Hanseatic League. The business school, funded by the Swedish government and 94 Swedish corporations, is 51 per cent owned by the Stockholm School of Economics and 49 per cent by the Latvian government. It puts a premium on the modern language and financial skills needed in Estonia, Latvia and Lithuania as they are reintegrated into Europe.

"We wanted to get started as soon as possible because there was nothing of this kind on the ground," says Jan Eklof, dean of the Riga school. "The international

companies which started coming here were crying out for local professionals to recruit."

The Riga school has found some powerful backers. George Soros, the financier, gave \$2m (£1.2m) for an auditorium in his name. The Wallenberg family foundation renovated the Art Nouveau building. Riga's courses differ from a stan-

'At 18, they're brilliant but they don't have the maturity we'd like to see'

dard MBA programme. Students are brought in from secondary school or from the first or second year of university and the school awards Bachelor of Science degrees in economics and business. The programme takes 36 months.

The curriculum, taught entirely in English, stresses theoretical economics more than western business schools, as befits its under-

graduate focus. But standard management courses are taught too, and the most popular elective - in the west - is a specialisation in management consulting.

Eklof, a professor from the Stockholm School who previously set up the business school in Hanau, acknowledges the drawbacks and benefits of a younger student population.

"At 18, they're brilliant and enthusiastic, but they don't have the maturity we'd like to see," he says. "But older people don't speak English very well. Our students were 12 or younger when the Soviet Union fell apart and they've been exposed to western society for much longer period of their lives."

The Riga school has free tuition and its reputation has spread quickly. Ten candidates compete for each place and almost half the students are women.

The young generation in the Baltics has adapted to the times, but Eklof notes differences from his former students in Stockholm. "They're more professionally dressed here than in Stockholm,"



Study group: undergraduates discover economics and business in Latvia

he jokes, then turns serious. "The Baltic students are quite good at all quantitative subjects like maths," he says. "The biggest challenge is to get them to work in groups, to be open and have discussions and to be more interactive."

Critical thinking and teamwork were not stressed by the Soviet educational system. "The newly independent countries are stepping away from rote learning and only now are free to teach humanities without the ideological constraints of the past."

The first class of 48 students graduated from the Riga school last year. But among businesses in Latvia the school already has a name.

The 'Big Six' consultancy firms hired a third of the first graduating

class. Hanspauk Latvija, a Riga commercial bank, employs several analysts who are still studying. "It's the best school in Riga," says its chairman, Ingrida Bluma.

The school's close relationship with the Stockholm School of Economics quickly moved on to a masters programme. But Eklof notes: "The whole idea is to get them out to work." Starting last year the school made summer internships mandatory for all its students.

Downstairs in the bustling student lounge, Gints Germanis, a 23-year-old with dyed white hair, explains his rationale for enrolling: "I don't think I really like economics, but education is such a huge plus now - I can obtain lots of knowledge and use it in practice."

NEWS FROM CAMPUS

Top job becomes vacant at LBS

George Bain, principal of London Business School, has decided to leave LBS in July 1998, one year before the end of his contract. The school is expected to announce his successor by the end of 1997.

Bain has been principal at LBS for seven years. One of the main jobs of the new dean will be to launch a major fund-raising campaign similar to the one now in progress at rival Insead, in Fontainebleau.

LBS: UK, (0171) 263 5050

Masters of the spring seminar

This week sees the start of Warwick Business School's Masterclass Series, four one-day seminars in March and April on significant management issues. The seminars will cover strategic management, marketing and world class companies and operations.

Warwick: UK, (01203) 534373

Transitional times under scrutiny

Stanford has opened a research centre designed to investigate economic development and policy reforms in developing and transitional economies. Anne Kreuger will move over from her job in the School of Humanities and Science to become director.

Stanford: US, 415 723 2558

Two scholarships extended at IMD

The Nestlé MBA scholarship for women, designed to encourage more women to study at IMD, in Lausanne, has now been extended to candidates from anywhere in the world. (Previously only European women could apply.)

IMD has also announced that the value of the EPI scholarship, which helps students from eastern and central Europe to study at IMD, has been doubled to

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HERE'S data on other exhibitions.

Date	Event	No. of Exhibitors	Date	Event	No. of Exhibitors
6-8 May	SEMICON Test, Assembly & Packaging	170	18-20 June	Canex '97 - The International Canning Technology Exhibition	150
6-9 May	IMDEX Asia '97 - International Maritime Defence Exhibition & Conference Asia 1997	350	20-29 June	World Book Fair '97 Incorporating: 12th World Chinese Book Fair World English Book Fair World Electronic Book Fair	300
12-14 May	Oceanology International '97 Pacific Rim	100	26-29 June	The PC Show '97 Singapore Incorporating: The Software Show '97	350
19-16 May	Tax Free Asia Pacific '97	266	3-6 July	Light Source Exhibition & Conference '97	100
14-17 May	SIBEX '97 - 15th South East International & Construction Exposition Incorporating: AIEEX '97: 3rd S E Asian International Building Services Exposition AIDEX '97: 3rd S E Asian International Hardware Exposition REHVAC '97: 2nd S E Asian International Refrigeration, Heating, Ventilation & Air-con Exposition A/E/C System '97	550	10-13 July	The Cool Food Show Singapore '97	150
16-18 May	Asian Diver Exhibition & Conference '97	250	14-16 July	Pro Audio & Light Asia '97 - PALA '97 Incorporating: Pro Audio Pro Light Audio Broadcast Visual Comm Sound Comm	450
22-25 May	Zootax '97	40			
	Aquarium '97	110			
27-30 May	Asia Pack '97/Asia Print '97 (AIP)	400			
2-6 June	The Annual Meeting of the International Society for the Study of Lumber Spine	25	17-19 July	AUTOFAC Asia '97/FABTECH Asia '97	75
3-5 June	Pharmaceutical Ingredients Asia '97	120	22-25 July	APP '97: Asia Pack '97 Incorporating "Flexible Packaging Technology Hub"	352
8-13 June	19th International League Against Rheumatism (ILAR) Congress of Rheumatism	220			
9-14 June	Asia Telecom '97 Exhibition	400			
11-13 June	11th International Symposium on Contact Dermatitis	15			
17-20 June	Shop Design Asia - International Trade Fair & Congress for Shopping, Display, Merchandising	200	28-30 July	DM Asia '97 Conference & Exhibition	60
			28-31 July	Clean Rooms Asia '97 / DataStar Asia '97	120

Information is correct at the time of printing. Please contact the respective organisers for the latest details.

If you are interested in the forthcoming events, please send me:
☐ more information about the Exhibitions indicated ☐ Singapore Convention & Exhibition Calendar

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LONDON

Shopping as spectacle

Victoria Griffith describes a retailing phenomenon

American fashion designer Donna Karen says the coffee and juice bar at her new London flagship store in New Bond Street is not there to quench the thirst of shoppers, but to convey a message about her products. "The store is an experience that's not just about clothes," says Karen. "It's a nurturing, nourishing environment."

The London store is part of a trend known as "entertainment shopping" that is sweeping the US retail business. Stores are no longer just places to sell goods, but an integral part of a company's marketing strategy. "Everyone's doing entertainment retail these days," says Jerry Davis, managing partner of H.O.K., a Manhattan architectural firm specialising in retail.

Increasingly, the concept of shopping as spectacle is seen as a powerful marketing aid. At the NikeTown athletic footwear store in Chicago, displays of sports memorabilia spread the message that famous athletes use Nike. At the Borders and Barnes and Noble book chains, store cafes promote an aura of intellectualism. The gimmicks in flagship stores often serve more to promote company products at other locales than to increase sales on-site. Designer Calvin Klein hopes his fashion mecca on Madison Avenue, for instance,



Doyen of "entertainment shopping" Donna Karen: the store, she says, "is a nurturing, nourishing environment"

will make his perfume and underwear more desirable than ever outside New York. Klein has added spectacle to the shop in the form of art exhibits, which enhance Klein's image of modernity. "Entertainment retail is a big deal in tourist centres like New York and London, where millions of people may pass through the central shopping districts," says Linda Price, a marketing professor at the University of South Florida. "People may go into the store just once while they're on vaca-

tion, but the experience stays with them. When it's done extremely well, the shop becomes a tourist destination itself, and that creates a marketing buzz." The formula can work so well that even companies outside the retail business may profit from opening a shop. The Coca-Cola store on New York's Fifth Avenue does a lively trade in T-shirts and toys inscribed with its logo. But it was launched primarily as a marketing vehicle to increase global beverage sales.

Inside the store, shoppers buy Coke in the old-fashioned bottles the US discontinued many years ago, and watch archival videos that trace the soft drink to American history. A segment on hippies in the 1960s, for instance, presents Coke as an unchanging anchor in turbulent times. "Coke was the real thing," says a voice-over, invoking the beverage's 1960s advertising slogan. Next door, at the Disney store, a saleswoman waves a stuffed Bambi at a Brazilian

tourist. "Hi! Welcome to Disney," she calls out in a singsong voice. Sales representatives are increasingly considered part of the spectacle. Analysts say entertainment retail is now reaching fever pitch. "It's getting to the point that the shopping districts in tourist centres will be like one big theme park," says Lisa Penaloza, a marketing professor at the University of Colorado. With almost everyone doing it, entertainment retail is in danger of losing its wow! quotient.

Tim Jackson

Robot fraud



Robertson Davies, the great Canadian novelist, tells the story of a magician who serves his apprenticeship as a boy by impersonating a robot. Sitting inside a metal case with flashing lights and buttons on the outside, his job is to play a simple card game with people at a small-town fair, and to con them into thinking the metal case holds a brilliantly advanced thinking machine.

The image of the human being inside the robot raises some interesting questions for business on the World Wide Web. Plenty of companies today offer their customers something that looks like electronic commerce, but isn't. Internet brokers take buy and sell orders over the Internet which they then execute manually. Internet booksellers forward requests to old-fashioned bookshops by fax or phone. Supermarkets print out their internet customers' shopping lists and then send someone round the aisles with a trolley to pick the items off the shelves. At first sight, it's tempting to see these examples as frauds - pretending to be more sophisticated than they are. But there are often good reasons for lacking a high-tech facade on a traditional process. From the point of view of the business, a web facade is a good way of reaching new customers without spending huge sums to revamp a "legacy" computer system.

These points help explain why there is a thriving market for products and services that link the wired and unwired worlds together. Some have been covered already in this column. Jax Personal Telecom allows you to acquire a phone number in a faraway city where people can leave messages or faxes for you that will be forwarded to

you over the Internet. Faxaway.com allows you to deliver faxes to people by sending an e-mail to a special address.

Both these offerings serve clients who are Internet-literate and need to communicate with people who are not. But what about the opposite group: companies that aren't themselves wired, but would still like to find a way to reach the millions of customers across the world who use the web?

There are more organisations in this group than you might think. An American reporter recently tried out the e-mail addresses published by some of the country's biggest companies for customer service questions, and found that only 3 per cent of his mails elicited a response.

Other examples include companies that blame "security concerns" for their failure to sell products and services by credit card over the web, instead of admitting that they cannot handle the technical issues.

Last week, I came across two products that help this group of organisations. One is a service called FaxExpress, provided by a New Jersey-based Internet fax reseller called FaxSav.

FaxExpress is so simple that it is almost certain to become a standard facility with Internet service providers.

It allows you, using a simple piece of programming script, to set up a web site so that the information people enter from their browsers is forwarded directly to the web site owner by fax.

This is deeply politically incorrect. Everyone knows that what the web site owner ought to be maintaining is a proper database so they don't need to go to the trouble of rekeying the information. But the fact is that many companies are in this category, and FaxExpress-style products are going to be very useful to them.

Still more striking is a new product to be launched today by eFusion, an Oregon-based software company. eFusion is one of many companies that have developed software and hardware products that integrate the web into companies' call centres, allowing their existing telesales teams to speak over the phone to customers who are browsing the web.

This summer, the company is set to launch an interesting product, called Bridgeport, that will allow calls coming into the call centre to be carried over the Internet if the quality is good enough, but will switch them to the public phone network if not.

It was a minor feature of eFusion's product that caught my eye. The Bridgeport box is also targeted at Internet service providers. It allows them to provide phone-like connections between clients using the web and companies that own web sites, and to forward the "calls" not to a single call centre, but to any one of many different small offices.

There is a moral here. Conventional wisdom has it that just as the superstores and discount warehouses have driven city centres out of business, so the Internet will drive superstores to the wall, leaving most business transacted between customers at home and giant 24-hour service centres shipping everything out by courier.

That is not how things may turn out. By bringing some of the benefits of the Internet for only a fraction of the cost of implementing all of them, services such as FaxExpress and Bridgeport may help the little guys survive. A web site with instant information, combined with a knowledgeable and friendly face at a shop around the corner? That is a killer combination - like a bright child inside a robot.

tim.jackson@gobox.com

Surfing doctors get daily news

A London-based scientific journal publisher has launched what it claims is the first daily science newspaper on the Internet. Current Science's HMS Beagle, aimed at the biological and medical community, is in fact a weekly "webzine", although key information is updated daily and there is a new cartoon every day.

The service, which is named after the ship that took Charles Darwin to the Galapagos Islands, is available free to members of BioMedNet, an innovative electronic club for biologists and doctors set up by Current Science a year ago (<http://biomednet.com>). The group

already has 65,000 members around the world and scientists are joining at the rate of 1,000 to 2,000 a week.

"Traditional publishers are all putting together electronic versions of their products, but that's not the same as creating a community," says Mr Richard Charkin, who gave up a job as head of general book publishing at Reed Elsevier to become chief executive of Current Science.

A club for professionals on the Internet was the idea of Current Science's founder Mr Vitek Tracz, who has put together a range of such communities is now being planned. BioMedNet allows legiti-

mate scientists to join for free and communicate with their peers around the world via electronic meeting rooms. They can also read about 1,000 job opportunities and have access to an electronic library containing 100 scientific journals. The company says it is in discussions with "dozens" of other core biomedical publishers.

The service makes its money from advertising and by taking a percentage of the sales of extracts from journals and of books. Both Blackwells and Oxford University Press have put catalogues on the BioMedNet "shopping mall" and sponsored data bases are also

being introduced. However, in spite of increasing sales, BioMedNet has still quite a way to go to break even.

With membership expected to reach 100,000 this year, Charkin believes BioMedNet will soon become too big and plans to start "splintering" it into more specialised groups, for example, a club aimed at the 1m people involved in clinical medicine.

ChemWeb, a worldwide club for the chemical community, has already been set up in a joint venture with MDL Information Systems of California and earlier this month CSG Professional was set up to build Internet clubs

and services for the legal community with Law City to be launched later this year and plans to target the financial services sector.

To move ahead quickly, the company plans to raise \$10m, but is particularly interested in joint ventures. "I think our trail blazing is genuine and we could be on to something big," Richard Charkin enthuses.

Raymond Snoddy

Reports miss ad opportunity

British Airways left the benefits of marketing up in the air in its last annual report, in spite of spending more than £14m on advertising, according to accountancy firm KPMG. Similarly, BSKYB, one of the media companies spending most on marketing, gave less detail on marketing in its financial review than it did for many other costs.

KPMG's analysis comes from studying the 1996 annual reports of the FTSE 100 companies. It concludes that most organisations underplay the benefits of advertising, and that some large advertisers - including financial institutions and food processors - are providing less information than they have before.

Among financial institutions, Abbey National, Barclays Bank and Midland

Bank each spent more than £20m on advertising in 1996, but did not draw the benefits of this to the attention of shareholders.

Kevin Parry, the KPMG partner who led the survey published tomorrow at a conference organised by the Institute of Practitioners in Advertising, says that even where some large advertisers gave marketing extensive coverage in their reports, the quality of that coverage should be improved to give shareholders a better idea of how effective the marketing has been.

Cadbury Schweppes, which owns some of the strongest chocolate and soft drinks brands, had a total marketing budget of £881m in 1996, but did not discuss in detail any of its campaigns, or say much about the results it achieved.

Parry says companies sometimes

overstate competitive sensitivities as the reason for not giving detailed information.

He argues that providing better information is good corporate governance and that there is an element of self-interest for marketing directors. "Now a company can demonstrate the effectiveness of spending more on advertising by real examples, rather than making that case in a recession on a hypothetical basis."

KPMG's message is clear: it pays to advertise to your shareholders that you advertise.

Alison Smith

KPMG's second annual advertising survey is available free of charge from KPMG, 1 Puddle Dock, London EC4A 3PD or from the IPA on 0171 235 7020.

Pipex name changes accelerate

Three name changes in three years may seem a lot for a company trying to build a brand name in the UK, but a British Internet service provider recently embarked on yet another identity switch.

UUNET Pipex is achieving its name change through stealth. While last year's change from Unipalm Pipex to UUNET Pipex was accompanied by a big party and widely covered in the press, the recent dropping of Pipex, to become simply UUNET UK, hasn't even been noticed by the company's switchboard operators.

The change is part of a decision to build a global brand, says David Barratt, head of corporate communications at the company's Cambridge base. "Pipex was a very strong brand in the UK, but on the European stage and the world stage the UUNET name is much better known."

He claims not to be worried about the possibility of losing brand recognition in the highly competitive market

for Internet services. "Most people have now heard of UUNET," he says.

In fact, the name of the company is still in flux: Chris Batterham, formerly managing director of UUNET Pipex, has been appointed managing director of UUNET in Europe.

Does he have a company to manage? No one seems to know for certain what it is called. There are several contending names. It was UUNET Pipex International, but he will be bringing together several European companies in which UUNET has a stake, including EUNET in Germany and INNet in Belgium.

Barratt says that calling him managing director of "UUNET Europe" is acceptable, but no hard and fast decision on a name for the division has been made because he is in charge of business in continental Europe only.

His replacement at UUNET UK is Pat Chapman-Pincher, formerly commercial operations director at MFS International.

UUNET should understand the effects of changing its name more than most. Unipalm, created in 1986, was taken over by UUNET in 1995 and became Unipalm Pipex for a short time before the decision was taken to rename it UUNET Pipex.

UUNET last year merged with MFS Communications, a US-based telecommunications company, and at the end of 1996 the combined group completed its merger with WorldCom, another US telecoms company. The group is now called WorldCom, although UUNET Technologies continues as a subsidiary.

In December the Unipalm trading name was sold off, but Barratt says that the Pipex name, which is still used by several divisions, including Pipex Dial, which provides Internet connections for home users and small businesses, will not be sold. However, he says: "We won't be using it in any new ventures."

James Mackintosh

Cyber sightings

● Britain's Department of Trade and Industry is hoping the TradeUK site (www.tradeuk.co.uk) launched last week will boost the country's exports. The fast, well-designed

pages provide details of UK-based suppliers and their trade associations, but the best service the site provides is a guarantee to find British companies or products even if they are not listed in the database.

● The Royal Economic Society has set up a site (www.res.org.uk) with news, a discussion forum and details of the society's 1997 conference later this month.

● Tenders on the Web (www.tenders.co.uk), which launches today, promises six weeks' free access to public sector contracts offered in the European Union, US and Japan.

● Everyone watches the US president's annual State of the Union address closely, so the site created by George Welling at grid.let.rug.nl/welling/jusa/presidents/addresses.html

seems an obvious project: the gathering together of every president's annual address.

james.mackintosh@ft.com

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All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

Dated 17 March, 1997

COMMENT & ANALYSIS



Philip Stephens

Time to speak up

The next British government should agree to talk to Sinn Féin – but not on terms set by Gerry Adams

For Gerry Adams, Britain's general election cannot come soon enough. Like most people, the president of Sinn Féin assumes it will be won by Tony Blair's New Labour. He supposes Mr Blair would be a softer touch than John Major. So it is a fair guess Mr Adams has a strategy to beguile the new government. He has misread the Labour leader.

These are trying times for Sinn Féin. Two years ago Mr Adams celebrated St Patrick's day in the White House. He developed a taste for the limousines and the limelight. Now he is no longer welcome.

Instead President Bill Clinton will play host today to Northern Ireland's unionist leaders and to the political representatives of loyalist paramilitaries. Unlike the IRA, the loyalists have observed (though only just) a semblance of a ceasefire.

So Mr Adams remains in Belfast, mouthing the familiar weasel words about IRA terrorism. He still pretends Sinn Féin is independent of IRA terrorism. He still pretends Sinn Féin is independent of IRA terrorism. He still pretends Sinn Féin is independent of IRA terrorism.

In the general election Sinn Féin sees an opening. It might do well in terms of votes. The Social Democratic and Labour party, which promotes constitutional nationalism as the civilised alternative to the violence of republicanism, is in poor shape. John Hume, the party leader, has neglected his own political base in a passionate quest for peace.

Perversely, Sinn Féin has also been the beneficiary of the intransigence of hard-line unionists. The Orange Order likes to celebrate Protestant hegemony by marching through Catholic communities. Last summer

its annual procession through Drumcree, Portadown, saw the police retreat, humiliated, before a loyalist mob. The incident was a gift to republicanism, rekindling the suspicion of nationalists that the state will never fully confront unionist supremacy.

The net result is that Sinn Féin has a fair chance of taking two parliamentary seats from the SDLP. Mr Adams could win in West Belfast and his colleague Martin McGuinness in Mid-Ulster. Republican rite would demand neither occupied his seat at Westminster. But you can already hear them crowing about democratic legitimacy.

The parallel possibility is the IRA will signal it is willing to call another ceasefire. One suggestion, taken seriously in London, is that the offer could even come before polling day. Sinn Féin might garner more votes and a newly elected Mr Blair would be put on the spot.

Look, Mr Adams would say, here is your chance for the place in the history books squandered by Mr Major. All Sinn Féin asked was a guaranteed place at the table when the other parties resumed negotiations on a political settlement in early June.

There is an another Mr Blair sees an opportunity and a risk. The opportunity lies in revitalising the talks, the risk in the threat of a return to full sectarian conflict.

assumption here. If the opinion polls are even half accurate, Labour will secure a majority at Westminster. Unlike Mr Major, Mr Blair would not be beholden to the Ulster Unionists. Unspoken, too, is Mr Adams's hope he could rely on support from a sizeable "green" lobby among Labour MPs.

In one respect there is something in such calculations. Labour would want to try to restore momentum to the political talks. On the big issues of principle, Marjorie Mowlem, the party's spokesperson, has stuck to the bipartisan consensus. Yet she has been careful also to flag new initiatives.

Most would be directed towards rebuilding confidence among nationalists. Thus Ms Mowlem has said Labour would incorporate the European Convention of Human Rights into the province's legislation. It would enhance the fair employment law which helps Catholics into jobs, and look to reform the Royal Ulster Constabulary. It would also give statutory powers to the Independent Tribunal which is soon to be set up to resolve disputes about Protestant marches.

As for the multi-party talks, a deadlock over the paramilitaries' weapons might be broken by a return to the proposal made last year by George Mitchell. The former US senator, the independent chairman of the talks, suggested decommissioning should proceed alongside substantive negotiations on a political settlement. The unionists, however, have so far stalled the talks by insisting the arms must be destroyed first.

Ms Mowlem nods elsewhere in the direction of the unionists, suggesting greater transparency in the London government's dealings with Dublin and more local decision-making in Northern Ireland. She is holding in reserve her posi-

tion on Mr Major's promise to beef up the committee of MPs which speaks for the province at Westminster.

The Labour leader has taken a keen personal interest in all this. He sees an opportunity and a risk. The opportunity lies in revitalising the talks, the risk in the ever-present threat of a return to full-scale sectarian conflict. He knows also that Drumcree, where the Orange marchers will return in June, presents a perilous test.

Mr Blair, though, is neither soft nor stupid. On Sinn Féin's entry into the multi-party talks his position is indistinguishable from that of Mr Major. A new IRA ceasefire could not be taken on trust: many beyond the unionist camp would see it as a cynical manoeuvre. To be taken seriously, Mr Adams would need to persuade his hooded friends to end their surveillance and targeting operations and to stop replenishing arms caches.

There is more. Sinn Féin has refused to endorse the principle of consent. This guarantees that the future of Northern Ireland can be decided only by the wishes of the majority in the essential fulcrum of dialogue. Unless Mr Adams agrees, there is no purpose to his admission.

If Mr Blair said otherwise, the unionists would walk away. In opposition, the Conservatives would break with the bipartisan consensus. Many are eager for an excuse, judging Mr Major has already ceded too much ground to the IRA.

So Mr Adams should not be too eager in his anticipation. However nauseating the prospect, the next British government, Labour or Tory, should talk to Sinn Féin. But only if and when it is sure Mr Adams's clanging words about peace will not be spoken once again above the corpses of the innocent.

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171 373 5330 (please not fax to "fax"). e-mail: letters.editor@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages.

Divided Europe fails to negotiate effectively on global trade issues

From Mr Keith Richardson

Sir, Lionel Barber's excellent article ("Brussels strives to call the tune on trade", March 12) if anything underestimates the crucial importance of this issue. The need for Europe to speak as one in all international economic negotiations is about competitiveness, jobs and economic survival, and it is being trivialised by national administrations which treat it as a bureaucratic turf battle.

What is really at stake is that our living standards are increasingly determined by global flows, not only trade in goods but also services, intellectual property and investment. Europe is the world's largest trading unit, and European industry is strong enough to hold its own. But these flows take

place within a framework of globally agreed rules, and except in the specific case of trade in goods European negotiators cannot hold their own because they negotiate not as one but as 15.

In practice Commission officials play a different hand with great skill, but they simply do not have the authority to call the shots.

The issue reflects a more general principle. Global rule setting is one of the main agenda items for the next century. Its enormous span ranges from macro-economic and monetary co-ordination to accounting standards and access to capital markets, from emission controls to drug safety, from taxation to air traffic rights, from information technology to defence procurement. In every case Europe is a cru-

cial player. But its negotiating procedures are a laughing stock.

Authority is divided, decision-making is interminably slow, and there is no way to put the future of Europe's 360m people as a whole before the protection of vested interests.

Fragmentation rules – and then we wonder why our children cannot find jobs. Mass unemployment and its consequent social evils are the direct result of how we mismanage European affairs. And that is what the inter-governmental conference should be about.

Keith Richardson, secretary general, The European Round Table of Industrialists, Avenue Henri Jaspars 113, 1060 Brussels, Belgium

Euroceptics' criticism of leading UK industrialists is well wide of the mark

From Mr Bryan Cassidy

Sir, I thought the socialist idea that politicians know better than businessmen what is good for their companies had been finally laid to rest by Margaret Thatcher.

The letter in your issue of March 12 from Messrs Cash and Duncan-Smith attacking the heads of some of the UK's most successful companies, who signed the letter in your March 11 issue, shows that some politicians still think they know best.

Bryan Cassidy, European Parliament, 97-113 Rue Belliard, 1040 Brussels

From Dr Ian Peters

Sir, Bill Cash and Iain Duncan-Smith accuse Sir Colin Marshall and other business leaders of being simplistic in their "attempt

to misrepresent the Euro-realist arguments as being about whether we are to be in or out of the single market". But their implied argument that small and medium-sized businesses "such as the members of the Institute of Directors" do not share Sir Colin's concerns are equally simplistic and bogus.

Do Messrs Cash and Duncan-Smith believe small and medium-sized businesses make their contribution to job creation in the UK in splendid isolation? The performance of this vital sector depends significantly upon these very multinational

companies which they decry. Larger companies are important customers for smaller ones, while the latter give the former the essential flexibility that enhances their competitiveness in Europe, and beyond.

The single market provides an extremely valuable

first step for smaller businesses looking to develop their export potential. But, perhaps most important, smaller businesses depend fundamentally on stable economic conditions which, whether people like it or not, are now inextricably bound up with our membership of the European Union.

The "Euro-realists" should also note that most of the small business representatives in the UK, including Tim Melville-Ross at the Institute of Directors, are on record as supporting the need for the UK to play a positive role in Europe. Surely this is a realistic expectation?

Dr Ian Peters, deputy director-general, British Chambers of Commerce, Manning House, 22 Carlisle Place, London SW1P 1JA, UK

BAe's cuts come home to roost

From Mr Julian Lewis

Sir, Sir Richard Evans should not be too surprised to find he has a lack of up-and-coming graduates with the right education ("BAe to recruit graduates outside Britain", March 11).

In 1982, when British Aerospace was having to make widespread redundancies, all sponsored student apprentices who were about to graduate were made redundant. My friends and I, who had all spent four years training with BAe on the scheme, are not bitter.

Recent years have proved us all to be ambitious professionals extremely successful in our newly chosen fields. My only regret is that, in addition to our skills being lost to BAe, most of us are no longer in engineering at all. Sir Richard may want to reflect on the cost of recruiting and training overseas candidates compared with the short-term savings he made a few years ago.

Julian Lewis, Golden, 30 Kensington Church Street, London W8 4HT, UK

Plain as day

From Mr Paul Miners

Sir, My guess is that the vast majority of the population prefers summer time ("EU to resist French bid to quit daylight saving", March 11), and that an extra hour's light in the evenings throughout the year would improve the quality of all our lives.

So the French are 50 per cent right – yes to a single time, but let it be summer.

Paul Miners, Janes, Chemin des Fleurettes 47, 1007 Lausanne, Switzerland

Stay in Touch

FT Guide to Telecoms - Wednesday, March 19

On Wednesday, March 19 the Financial Times will publish the first in a new quarterly series of guides to the telecommunications industry. Each issue will focus on developments affecting individual companies and the industry as a whole both at home and abroad.

The first issue will look at telecommunications in developing countries and emerging markets and will include sections on technology, news analysis and personalities. The FT Guide to Telecoms. Keep in touch.

Financial Times.
World Business Newspaper.

The FT Interview • Gerhard Schröder

Mover and shaker

Germany's prime Euroceptic tells Peter Norman of his currency misgivings

As a young member of parliament in Bonn, Gerhard Schröder once clambered up to the fence of the Chancellery, rattled it and shouted: "I want to get in here."

Now, aged 52 and Social Democratic prime minister of Lower Saxony, his ambition is rattling the nerves of those inside.

For recent opinion polls have given the Social Democratic party (SPD) the lead over Chancellor Helmut Kohl's Christian Democratic Union and singled out Mr Schröder as the SPD politician with the best chance of winning the general election late next year.

Although the Social Democrats are not due to choose their candidate before next year, the possibility that it could be Mr Schröder sends shivers down the spine of friend and foe.

He is a controversial figure, willing to break the all-party consensus of uncritical support for the European single currency. With his pro-business economic policies and his questioning of Mr Kohl's vision of embedding Germany in an evermore integrated European Union, he annoys his own party and the government coalition in equal measure.

Interviewed in his modest prime ministerial office in Hannover, Mr Schröder is dismissive about the chances of Germany qualifying for economic and monetary union by the planned date of January 1 1999.

"As far as I can see, Germany won't meet the criteria without creative accounting," he says. He would prefer Emu to be delayed.

"I am not one of those who believes that a delay in Emu would be damaging for Europe in the long run. The integration process is so far advanced that I don't believe it would come to a halt if we said: 'We won't make it in 1999, we will delay it.'"

But while challenging the government line that Emu will go ahead on schedule



Gerhard Schröder: "Germany won't meet the criteria..."

with German participation, Mr Schröder makes clear he has no objections to the Maastricht treaty itself. "The treaty is in order and the idea behind it. The real problem," he says, "is that it must be implemented in such a tight timescale."

"I think there could have been better starting conditions for an economic and monetary union, both in terms of content and timing. That is the basis of my reserve."

"It would have been sensible to keep the old idea of Emu as a crowning of the integration process. That was the idea before Maastricht. The problem since is that an instrument has been created out of something that should be a consequence of integration. The question is: can you do that with a currency?"

Mr Schröder considers the "political imperative" in Germany of trying to meet the Maastricht criteria strictly can only exacerbate the problem of unemployment.

"From the German viewpoint, one must distinguish between the political and economic importance of the criteria. Economically it is impossible to give a reason why a budget deficit of 2.9 per cent is fine and one of 3.2 per cent isn't. But in Ger-

man's second world war as a teenager and developed his zeal for European integration following his brother's death in action.

But if Mr Schröder differs from Mr Kohl on Europe, his view of Germany as a "stakeholder society" is similar. The model developed since the second world war has been "all in all, successful" and has assured "relatively high living standards".

But Germany needs "modernisation in a quite comprehensive sense" to cope with globalisation and the financial costs of unification. Here, Mr Schröder urges more flexibility in the workplace, a mature service sector, more part-time working and more speed in introducing innovative products.

It is the sort of agenda Mr Kohl has outlined in recent speeches. Mr Schröder is unabashed by the comparison. "What I criticise is that he is making these points after 14 years in office. The chancellor can set economic conditions. A state prime minister cannot."

In view of the need for change, Mr Schröder does not expect a rapid correction of Germany's jobs crisis. With 4.7m registered jobless, "I don't believe there is a big bang for overcoming mass unemployment," he says.

It is a crisis that pays the Social Democrats in a dilemma. "Our job is to bring this government into difficulties on tax, pension and labour market issues and make political capital for ourselves." But the party "has a responsibility to make sure that unemployment doesn't rise."

With the German press speculating feverishly about Mr Kohl's future and a possible realignment of party affiliations, could it be that Mr Schröder had dropped a hint in favour of a "grand coalition" of CDU and SPD to overcome Germany's problems?

He does not rule out the possibility. "Put it this way. One and a half years before a general election there is not much point speculating about a grand coalition. But one should not be worried about it. The SPD must be prepared to treat it as a political option."

ARTS

OPENINGS

SALZBURG
There will be a lot of disappointed opera-goers at the opening of Peter Salvi's new Easter festival production of *Wozzeck* on Saturday. A month before rehearsals began, Welsh baritone Bryn Terfel told the festival he would not be taking part, apparently because he had not had time to learn the title role. He has been replaced by a little-known German, Albert Dohmen. The production, conducted by Claudio Abbado (right), will be revived at the summer festival, again with Dohmen.



GENOA
An exhibition of paintings by Anthony Van Dyck (1599-1641) and his contemporaries opens at the Palazzo Ducale on Saturday. Van Dyck, who laid the foundations of his career as a portrait painter in Genoa, will be represented by 40 works, and there will be a similar number by Titian, Caravaggio, Rubens and others.

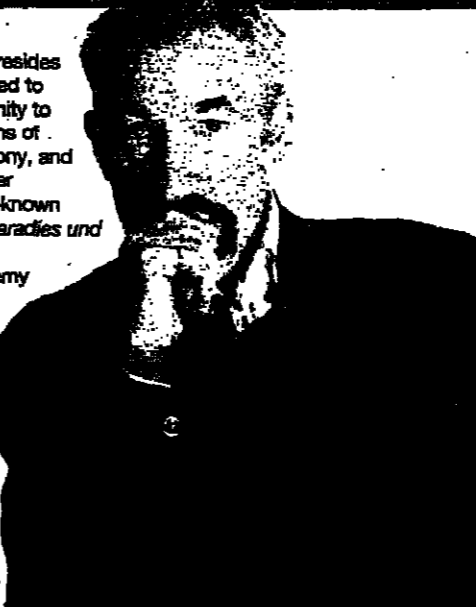
BARCELONA
The Picasso Museum has organised an exhibition of works created between 1904 and 1912 by André Derain, a leading Fauve who also played a prominent role in Cubism. The exhibition opening on Wednesday, is the latest in a series of shows devoted to artists and artistic movements influenced by Picasso.

LONDON

Next weekend at the Barbican, John Eliot Gardiner presides over a series of talks, workshops and concerts devoted to Schumann. Saturday's events include a rare opportunity to compare and contrast the original and revised versions of the Fourth Symphony, and on Sunday Gardiner conducts the little-known choral work *Das Paradies und die Peri*.

The Royal Academy of Arts is staging a major exhibition of the work of George Grosz (left), whose political cartoons capture both the seductive and the repulsive face of Berlin in the 1920s. The show opens on Thursday.

On Tuesday Simon Callow (right) opens as Oscar Wilde in Michael Moolamoor's *The Importance of Being Oscar*, at the Savoy Theatre.



PARIS

The latest blockbuster exhibition at the Grand Palais is a multidisciplinary show exploring the artistic links between Paris and Brussels in the period 1848-1914. Opening on Friday, it aims to underline the influence French and Belgian artists had on each other in developing the great movements of the age, from historicism and Impressionism to Symbolism and Art Nouveau.

AMSTERDAM

Viennese art between 1870 and 1918 - one of the most innovative periods in modern art history - is the subject of an exhibition at the Van Gogh Museum, opening on Friday. It includes masterworks by Klimt, Schiele, Kokoschka and others, many of them on loan from the Belvedere Palace in Vienna.



As the Royal Opera faces two years in exile a strong music director is vital; from left: Bernard Haitink, John Eliot Gardiner, Andrew Davis, Mark Elder, Daniele Gatti and Valery Gergiev

Pretenders line up for the baton

Will there be a new music director at the Royal Opera, or will Haitink stay? asks Andrew Clark

After months of delay, the Royal Opera House will finally be in a position this week to announce programme plans for its two-year closure, starting in July. A meeting of the Arts Council on Wednesday is expected to approve the ROH's budget proposals, triggering the financial guarantees needed to keep the Royal Opera and Royal Ballet afloat during their period in exile.

For the ROH's employees, the announcement should help to clarify the thorny question of job losses and working conditions. For the outside world, the main interest lies in details of repertory and venues. But for everyone concerned about the company's fragile fortunes, a key issue is the future of Bernard Haitink as music director - the man who, as *Meistersinger* showed on Saturday, acts as a guarantor of artistic standards.

Haitink's refusal to commit himself beyond July, when his second five-year contract runs out, has led to intense speculation about possible successors. The hottest names are John Eliot Gardiner, Daniele Gatti and Valery Gergiev, all of whom have made notable contributions this season. Andrew Davis and Mark Elder are also mentioned. The Royal Opera asked Sir Simon Rattle if he was interested, but the reply was no.

The prospect of spending two years without a home and without a figurehead appeals the music staff, who argue that strong artistic leadership is vital to preserving the company's morale and identity during the "messy" period in exile. It is even more vital that a music director should be in place by December 1999, when Covent Garden reopens. Given that leading conductors fill their diaries years in advance, the ROH must act soon.

Although Haitink has often seemed out of sympathy with the company's production policy, his music directorship is generally considered a success; he inspires everyone when he is there, but he is not there enough to be taken for granted. The obvious solution would be to re-engage him. His refusal to commit himself beyond July was a principled stand against the threat of a ruthlessly depleted orchestra during the period of closure. Under budget proposals to be put before the Arts Council, that spectre has been removed. The orchestra will be reduced from around 120 to 98 - not 65 as originally feared - and there will be no compulsory redundancies.

So will Haitink stay? Most members of the company hope so. At 68 he has reached an age when conductors become venerable. Although he has complained in recent months of being tired and in need of a sabbatical, Haitink feels a strong loyalty to the

Royal Opera. It has enabled him to tackle many of the large-scale works he missed earlier in his career, and he has a symbiotic relationship with the orchestra. The opportunity to conduct the opening production in the renovated theatre would undoubtedly appeal. But he is clearly disillusioned with the way the company is being run.

The uncertainty over Haitink's position has opened up a debate about the kind of musical leadership Covent Garden needs. Haitink fulfils the function more of principal conductor than music director. Like James Conlon at the Bastille in Paris, he may be consulted about broad tenets of artistic policy, but he is not much involved outside his own productions.

Many in the music business argue that the lynchpin of an opera house is the conductor; to make the most of a fresh start in 1999, the Royal Opera needs hands-on leadership - someone who will be there on a day-to-day basis, laying down values, taking an active role in policy-making, supervising casting and galvanising people in the most personal way. This was Elder's function in the "Powerhouse" era at English National Opera, and Wolfgang Sawallisch's in Munich; it is also the way James Levine works at the Metropolitan Opera. The pay-

off is a remarkable consistency of musical standard.

The alternative view is that, in a theatre where real artistic power lies with managers like Nicholas Payne and Peter Katona, what is needed is a glamorous front-man: a musician of the highest quality, who oozes charisma and is capable of raising standards just by being there - above all, someone more interested in making music than sorting out problems backstage. This is how Haitink operates: he is a wonderful conductor, but not temperamentally suited to the old-fashioned hands-on approach.

The result is a sprinkling of extraordinary highs every season, outnumbered by run-of-the-mill evenings. That is why Rattle would be a popular candidate: he combines high standards, energy and all-out dedication - a powerful cocktail for anyone who can lure him. In an ideal world, Rattle and the UK's biggest music institution would be natural partners.

Rattle recognises, however, that his approach is too hands-on for a busy opera house: accustomed to total control at Birmingham, he could never cope with the compromises involved in working at Covent Garden. He has conducted no Italian operas, and only one Wagner. His operatic future lies in special projects, where he can rehearse in isolation from the rough-and-tumble of a repertory theatre.

Gergiev would be the orchestra's choice: the quality of playing in *Lohengrin* last month spoke for itself. The problem with Gergiev is that he is all inspiration and no technique. This is fine when he guest-conducts, or at the Kirov where every decision is his. With any other opera company it could spell chaos. He will be back next January to conduct concerts of Tchaikovsky's *The Enchantress*, but until he slows down or gives up the Kirov, a close relationship with Covent Garden is unlikely.

It looked as if Gardiner was being lined up as a candidate when he conducted *Erubert* in January. But as at Opera North, which he guest-conducted in the late 1980s, during its search for a music director, the staff took flight. Gardiner is an extraordinary musician with a lot to offer, but he has had personality problems with major British orchestras. This is why he spends most of his time working with hand-picked ensembles of his own.

Gatti gets results and is well liked: *Gloriana d'Arco* and *Turandot* last year were a personal triumph. The Italian repertory, not the strongest suit of Haitink or his predecessors, would flourish under his command. But Gatti already has one London post - music director of the Royal Philharmonic Orchestra - and is about to start a five-year contract at the Teatro Comunale in Bologna.

He has time on his side. Which brings us to Davis and Elder. Both are British, both have wide repertory sympathies - Elder is especially versatile - and both are around 50, a good age for the job. Each would dedicate himself to it heart and soul. The problem is charisma: neither really has it. Elder suffers an additional disadvantage in that he comes from "down the road" - the way the snobs at Covent Garden refer to the Coliseum.

Although the ROH management would have preferred Haitink to commit himself earlier, his calculated procrastination has actually worked in both sides' favour. The ROH has discovered that the leading candidates are either unsuitable (Gardiner, Davis, Elder), unavailable (Gatti, Gergiev) or both (Rattle). Haitink, meanwhile, has secured most of his goals on his own terms, and enhanced his moral stature in the process. All the indicators point to his being engaged for three years, possibly five. This would rule out a dynamic new music director for the millennium - but amid the turmoil of redevelopment, it would give the ROH breathing space and a measure of stability. By 2002, Gatti, Christian Thielemann, perhaps Gergiev or a newcomer, may be ready to pick up the baton.

A review of *Meistersinger* will appear in tomorrow's paper.

Theatre

Political lust for power

Discovering a solidly crafted family drama which will be past its sell-by date, if not by May 1 then not long afterwards, is rather startling. "Appearances don't matter to me," announces newly elected Labour MP Felicity Anderson. In the wake of Labour's landslide victory at the general election in Andy de la Tour's new play, *Landslide*, at the West Yorkshire Playhouse, Leeds.

She is meeting her former enemy, dashing St John Hewitt (Christopher Ravenscroft) who had held the previously safe Tory seat for 27 years. Her avowal of sincerity is tested to the limit as she attempts to seduce Hewitt into supporting her election pledge to scupper a new local development in which he may or may not be involved.

The air is thick with the sound of axes being ground, scores being settled, and passions both personal and political becoming inflamed as Anderson takes on Hewitt, his family and its fortunes. What she has not reckoned with is the implacable loyalty of Hewitt's wife, Jessica, the utterly plausible Deborah Norton. De la Tour throws sex and blackmail into the equation and at times the plotting threatens to be too predictable, but by the second half the dramatic noose has been pulled extremely tight and you cannot guess which way things will go - an unusual state of affairs with political satire.

The secret of its success is the unlikely marriage between form and content. Look at the ingredients: remote father, powerful mother, sensitive son, country house... there are even French windows and a drinks trolley. We could be watching *Five Finger Exercise* or any one of those fractured family dramas from the 1960s. De la Tour uses the form not only to mirror Tory values but also to comfort an audience who would not be seen dead going to "political" theatre.

Jenna Russell struggles valiantly to breathe life into Felicity Anderson, but the character's political journey is too contrived; even Gwendolyn Hughes's sure-footed direction cannot stop the climax teetering over into melodrama. But these faults are forgivable; de la Tour draws his villains as strongly as his often unexpected heroes, and some of the most trenchant comments about New Labour come from the mouths of the Tory characters. The unmasking of naked selfishness and the casualties caused by the lust for power make *Landslide* a venal, unashamedly enjoyable evening.

David Benedict

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Koninklijk Concertgebouworkest: with conductor Kurt Sanderling perform works by Mozart and Shostakovich; Mar 19, 20, 21

BERLIN

EXHIBITION
Alte Nationalgalerie Tel: 49-30-209050
● Adolph Menzel (1815-1905): Between Romanticism and Impressionism: retrospective exhibition featuring 130 paintings, drawings, pastels and watercolours by Adolph Menzel, one of the leading German artists in the second half of the 19th century. In addition to many of Menzel's acknowledged masterpieces the exhibition includes numerous sketches and drawings depicting bourgeois life in Berlin, Menzel's family circle and landscapes in and around the

Prussian capital; to May 11

BOLOGNA

CONCERT
Teatro Comunale di Bologna Tel: 39-51-529901
● Orchestra del Teatro Comunale di Bologna: with conductor Gustav Kuhn and the Coro del Teatro Comunale di Bologna perform works by Mahler; Mar 18, 19

BRUSSELS

CONCERT
Palais des Beaux-Arts Tel: 32-2-5078200 (Concerts)
● Orchestre Philharmonique de Liège: with conductor Pierre Bartholomée and violinist Martin Beaver perform works by Stravinsky; Mar 20

CHICAGO

EXHIBITION
Terra Museum of American Art Tel: 1-312-664-3993
● An American Century of Photography - From Dry Plate to Digital: a 253 print survey providing a broad perspective on the history of modern American photography. Featured artists include Alfred Stieglitz, Edward Weston, Ansel Adams and Minor White; to Mar 30

HAMBURG

EXHIBITION
Hamburger Kunsthalle Tel: 49-40-24652612
● Italienische Zeichnungen der Renaissance: display of drawings

from the museum's own collection covering the Renaissance period from its formative years (Mantegna and Botticelli) through to the later works of Leonardo, Raphael and del Sarto; to Mar 23

LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● English Chamber Orchestra: with conductor Stefan Asbury and percussionist Evelyn Glennie perform works by Britten, Macmillan, Busoni, Saint-Saëns and de Falla; Mar 20

EXHIBITION
British Museum Tel: 44-171-6381555
● Modern Scandinavian Printmaking: this exhibition features 170 prints by 57 artists examining the strong tradition of printmaking among Scandinavian countries over the past 100 years. Artists represented include Anders Zorn, Edvard Munch, Asger Jorn and Rolf Nesch; to Apr 20
National Portrait Gallery Tel: 44-171-3060055
● Variations on a Theme: exhibition celebrating Britain's musical heritage of the past 150 years, including some rarely seen images from the Gallery's archives. Composers featured include Coleridge Taylor, Britten and Rawsthorne; to May 26

OPERA
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Così fan Tutti: by Mozart

Conducted by Alistair Dawes, performed by the Royal Opera. Soloists include Melanie Diener and Leah-Marian Jones; Mar 19

ROCK & POP
Royal Albert Hall Tel: 44-171-5898212
● John Denver: performance by the American singer; Mar 19, 21

MADRID

EXHIBITION
Fundación Juan March Tel: 34-1-4354240
● Max Beckman Retrospective: exhibition featuring 35 works completed by the German artist between 1905-1950. Beckman was at the forefront of the German avant-garde with work that forsook Impressionism for New Realism; to Jun 8

MUNICH

EXHIBITION
Haus der Kunst Tel: 49-89-211270
● Richard Lindner-Retrospective: the first large-scale exhibition of the illustrator and pop artist since his death in 1978. On display are 66 pieces, covering his early work from the 1940s through to later paintings where he used bold colours to recreate everyday images; to Apr 27

NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● The Chamber Music Society of

Lincoln Center: the conductor David Shifrin, violinist Ani Kavafian and pianist Anne-Marie McDermott perform works by Mendelssohn and Schubert; Mar 18

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Aida: by Verdi. Conducted by Adam Fisher, performed by the Metropolitan Opera. Soloists include Lisa Gastean, Dolara Zajick and Richard Margison; Mar 18

PARIS

DANCE
Théâtre de la Ville Tel: 33-1 42 74 22 77
● Z/nz: choreographed by Ohad Naharin to music by Lieder and Naharin and performed by BatSheva Dance Company; from Mar 18 to Mar 22

EXHIBITION
Musée d'Orsay Tel: 33-1 40 48 48 14
● Emilie Verhaeren: un musée imaginaire: exhibition jointly organised by the Musée d'Orsay and the Musée de la Littérature de Bruxelles, examining the life and times of art critic Verhaeren. On display are a number of paintings, sculptures, drawings and engravings by artists Verhaeren championed, including Redon and Ensor; from Mar 18 to Jul 14

THESSALONIKI
EXHIBITION

Thessaloniki Cultural Capital '97 Tel: 30-51-867860-6
● "No Sign of the Ship Yet": display of work by young German and Greek artists based in Berlin, presenting work with the common theme of water. The exhibition takes place at the Serbian Warehouse; from Mar 19 to Apr 26

VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● Göteborg Symphony Orchestra: with conductor Neeme Järvi and bass Paata Burchuladze perform works by Tübin, Musorgsky and Sibelius; Mar 19

WASHINGTON

DANCE
Warner Theatre Tel: 1-202-783-4000
● Alvin Ailey American Dance Theater: perform "Suite Odis" to music by Redding, choreographed by Faison, "Polish Pieces" to music by Górecki, choreographed by van Manen, "Cry" to music by Coltrane, Nyro and Griffin, choreographed by Ailey and "Revelations" to traditional music, choreographed by Ailey; Mar 18

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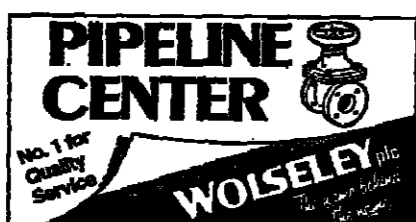
07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:
08.30
Squawk Box

10.00
European Money Wheel
18.00
Financial Times Business Tonight



FINANCIAL TIMES

Monday March 17 1997

Where you can find the most influential
Radisson Edwardian

Major set to call UK election for May 1

By John Kempster, Chief Political Correspondent

Mr John Major, the UK's prime minister, is today set to call a general election for May 1, launching what the Conservatives have planned will be the most presidential campaign in UK history.

The long-awaited announcement will end months of speculation and spark a six-week fight with Mr Tony Blair, leader of the opposition Labour party.

Mr Major's aides yesterday set the tone for the contest, making clear he wanted a series of televised debates with the Labour leader - the first of its kind in Britain - while excluding Mr Paddy Ashdown, the Liberal Democrat leader.

Mr Major is expected to follow his visit to Buckingham Palace today with an appearance on the steps of Downing Street and then meet members of the public. "The flavour will

be John Major, the man of the people," said an adviser.

After a spate of splits and ministerial gaffes, Mr Major has for some time been urged to wind up the parliament session as quickly as possible, to distance himself from many of his MPs and play to his apparent strengths as a campaigner.

With opinion polls pointing to a Labour landslide, the strategy will be to go for broke. "If Tony Blair keeps things on the rails, we're done for," said a cabinet member. "We've got to knock him off his tracks with all means at our disposal."

Mr Major signalled his intentions with what aides described as an "intensely personal" speech to the party faithful in Bath, southern England, on Saturday. "He's running ahead of his party. He's taken a view on the campaign that his ministers will have to follow."

The Commons is expected to

be adjourned a few days before Easter, with the formality of prorogation coming after the break. The campaign will then get into full gear, with Mr Major addressing a rally in London on April 4, the first of seven around the country.

Both main parties accused the other of running scared on proposals for televised debates. The Liberal Democrats said any attempt to exclude Mr Ashdown would be rejected by the broadcasting companies and would be challenged in the courts.

Mr Peter Mandelson, Labour's campaign co-ordinator, said Mr Blair would be ready to consider any format. Mr Blair said: "We have of course been pressing for months and months for such a debate, so obviously we welcome this, assuming that it is a serious offer."

Philip Stephens, Page 18
Editorial Comment, Page 17

EU rejects idea of sending troops to Albania

By Lionel Barber in Apeldoorn and Guy Dinmore in Tirana

The European Union has pulled back from sending troops to Albania, offering instead to dispatch military and police advisers to help the new government in Tirana to restore order.

The scaled-down proposal followed a weekend debate among EU foreign ministers in the Netherlands marked by divisions between France and Germany. An EU fact-finding delegation is due to arrive in Tirana today, led by Mr Jan de Marchant of d'Ansembourg, a Dutch diplomat.

For a brief period on Saturday, it appeared that France and Italy - backed by Austria, Denmark, Greece, and to a degree Belgium - were going to win support for an EU-backed intervention in Albania via a "stabilisation force".

German, Finnish and Swedish opposition offered Mr Malcolm Rifkind, the UK foreign secretary, a chance to seize the centre ground with his plan to dispatch an advisory mission to Albania.

Mr Lamberto Dini, Italy's foreign minister, under domestic pressure to show the EU can act to prevent an exodus of Albanian refugees to Italian shores, had floated the idea of dispatching a heavily-armed force of 3,000 or more.

Mr Hervé de Charette, the French foreign minister, talked about securing Tirana airport and government buildings. The military operation would act preferably under the auspices of the Western European Union, the EU's embryonic defence arm, with a symbolic US presence.

But Mr Klaus Kinkel, Germany's foreign minister, protested strongly against the plans for a "stabilisation force". He condemned the "something-must-be-done" school of foreign policy. "This is no time to plunge into a new adventure," he said.

Meanwhile in Tirana, President Sali Berisha and his new coalition government appear to have restored order to the streets by arming hundreds of militiamen and sending armoured personnel carriers around the capital. A dusk-to-dawn, shoot-on-sight curfew remains in force.

In a statement on state television, President Berisha said he would stay in office until parliamentary elections due to be held by the end of June.

Mr Berisha yesterday granted a pardon to Mr Fatos Nano, the Socialist party leader who was briefly prime minister in 1991 and was jailed in 1993 on corruption charges. Mr Nano is seen as a possible successor to Mr Berisha if the socialists win the elections.

THE LEX COLUMN

Money on Labour

Britain's ruling Conservative party may be fighting the election with the slogan "You can only be sure with the Conservatives". But for most pundits the sure thing is that the opposition Labour party will win. In the past, investors might have thrown their hands up in horror at the threat of a spend, tax and borrow socialist government. But the determined drive by Mr Tony Blair, the party leader, to the middle ground has largely banished such demons.

As a result, investors can be fairly relaxed. In fact, on one important issue - Europe - there are grounds for optimism. Labour, like the Tories, will almost certainly not take Britain into the first wave of monetary union in 1999. But its rhetoric is less hostile and it could well aim to become a member a few years later.

Why does joining Emu matter? Because Britain would automatically acquire Germany's anti-inflation credibility. Given that 10-year gilts currently yield 1% percentage points more than bunds, considerably lower long-term interest rates would be in store. That would be good not just for bonds but also equities - just look at the way Italian and Spanish securities markets have surged as they have become more credible Emu candidates. And, longer term, industry should benefit from a lower cost of capital.

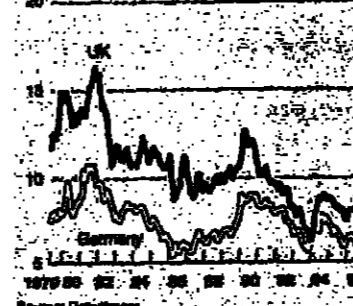
Moreover, whether or not Britain eventually signs up to Emu, Labour is likely to keep its options open. That points to fairly responsible conduct of monetary and fiscal policy. On the monetary front, Mr Gordon Brown, the opposition chancellor of the exchequer, has already promised the central bank, the Bank of England, an enhanced role in setting interest rates - although still not proper independence.

Given the Bank's belief that monetary policy must be tightened, a Labour victory would mean interest rates were more likely to rise in the immediate post-election period. While that might dent market enthusiasm in the short run, investors should eventually warm to monetary rectitude. Similarly, Labour will need to reduce public borrowing if it wants to retain the option of qualifying for Emu.

Taxation

Sadly, a reasonable outlook for public borrowing does not necessarily translate into lower taxes. Indeed, higher taxes are the biggest

UK & German interest rates
Yields on 10-year government bonds (%) (since the Tories came to power)



reason for investors to worry. Mr Brown may have promised not to put up the basic or higher rate of income tax. But he has not ruled out increasing other taxes.

Given that public borrowing is on a downward path, it is debatable whether taxes do need to rise. But the safest course would be to put them up immediately after the election. That would also be politically smart. If it turned out that higher taxes were not needed after all, Labour could always take a leaf from the Tories' book and cut them before the next election.

So far, so fair. The snag is that Labour will be sorely tempted to tax non-voters - companies and pension funds. The party has already promised a windfall tax on utilities. If this is a one-off levy, shareholders can probably live with it. Indeed, utility shares would probably rise if the tax came in below the rumoured £5bn figure.

The bigger worry is that, once in power, Labour could abolish the tax credit on dividends. That would generate £5bn extra revenue every year, not just once. Such a move could not be defended on economic grounds. It would push up the cost of capital and deter investment. But the incentives of corporate taxation are so arcane that few voters would understand. And anyway, Labour could argue, it was the Tories who took the first chunk away.

There must also be concern that Labour would be less effective at controlling public spending. The Conservatives have managed to keep public spending at around 40 per cent of GDP, at a time when other European Union countries have seen spending rise to about 50 per cent of GDP. In the short run, Mr Brown will probably be able to maintain his grip. But it is doubtful whether his party has the will to

keep bearing down on expenditure year after year. And if spending creeps up, higher taxes will inevitably follow.

Supply side

Labour will find it hard to tame the public sector in part because many of its supporters work in the public sector and have high hopes that the party will reverse years of Tory squeezes. But Labour will also struggle because it has little enthusiasm for supply side reforms.

Given that most of the big state industries have already been sold, one might think there is little scope for further privatisation. This is not so. As the Tories have shown in the parliament's dying days with their radical proposal to privatise pensions, the next area for reform could and should be the welfare state. Sensibly, Labour has not ruled out privatising pensions. So privatisation may continue under some guises after the election. But it is hard to imagine it will be pursued with much gusto.

Labour's penchant for regulation is also worrying. The damage that would be caused by signing up to the EU's social chapter and the party's planned minimum wage may not be huge. But they are certainly not pluses. And they also contrast unfavourably with the Tories' continuing drive to cut red tape.

That said, Labour has a couple of policies which could in time improve the supply side. The first is the promised assault on long-term unemployment. If successful, the economy's productive capacity would expand. It would also reduce the drain the jobless impose on the public purse.

The second is the promised drive to improve education - the British economy's Achilles heel. Here, Labour's policies are very vague. But Mr Blair has made education his top priority and the Tories have conspicuously failed to improve schools much despite running the country for 18 years. So Labour may well do better. Even a modest upgrading of Britain's human capital would eventually pay handsome dividends.

In sum, the prospect of a Labour government is good only good in parts. For investors, the best hope is a more constructive attitude to Emu; the worst fear, higher corporate taxation. In the circumstances, the wise course is probably to increase investment in gilts and cut exposure to shares.

Toyota car plant

Continued from Page 1

more than 2,000 jobs in the Pas de Calais area, one of three French regions considered by Toyota.

It could also generate fresh demand for the company's 200 European component suppliers, which last year shared orders worth \$600m from Toyota's UK plants.

The project is likely to prove a severe embarrassment to the UK government, which six weeks ago received a thinly-veiled warning from Mr Hiroshi Okuda, Toyota president, that it might change its European investment strategy if the UK stayed out of European monetary union. Toyota is one of the biggest inward investors in the UK.

Toyota officials last night said a number of feasibility studies were under way, but added that no final decision had been taken.

Industry analysts, most of whom had expected Toyota to opt for a low-cost eastern European plant, yesterday questioned the cost-effectiveness of a site in France.

One motor industry executive, who has been briefed by Toyota, said tenders for the project would be placed later this year following a formal announcement in the summer.

Toyota has set a target of increasing European sales to 600,000 vehicles by the end of the decade, of which it hopes 60 per cent will be produced locally.

Of the 420,000 vehicles sold in Europe last year, 117,000 were produced in the UK. The company plans to invest a further \$318m at Burnaston to increase its capacity to 200,000 units a year by the end of 1998.

Zaire rebels in new blow to Mobutu

By Michele Wrong in Lubumbashi, Zaire

Zairean rebels have captured Kisangani, the country's third-largest town and headquarters for the army's failed counter-offensive.

The rebels say they will next head for the southern mining town of Lubumbashi and then go on to Kinshasa, the capital. Mr Kabila had won Kisangani, thereby guaranteeing him control of east Zaire's airspace.

But hopes that the peace process could now be launched in earnest received little encouragement from Mr Kabila at the weekend, despite a meeting in Goma with Mr Mohamed Sahnoun, the UN envoy. He turned down Western-backed calls for a ceasefire and repeated demands for face-to-face talks with Mr Mobutu. "We are still advancing, we must liberate the whole country," he told journalists.

Kisangani's capture was not the military walkover seen elsewhere in east Zaire. Rebels stormed the city's military airport with tanks and heavy artillery, but their task was made easier as government troops turned on the European mercenaries hired by the government to protect the town.

The capture of the city, a major river port with two airfields, marks a psychological and strategic turning point in

the rebels' five-month campaign to oust President Mobutu.

It gives the Alliance of Democratic Forces for the Liberation of Congo-Zaire, led by Mr Laurent Kabila, control of about one-fifth of the country.

Analysts have predicted that negotiations between the rebels and the government in Kinshasa were unlikely until Mr Kabila had won Kisangani, thereby guaranteeing him control of east Zaire's airspace.

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Surge in market for exotic debts

Continued from Page 1

growth in popularity of Latin American and east European bonds among the more conservative investment funds, such as US pension and insurance investors, has shrunk the returns on emerging market debt in the last 18 months.

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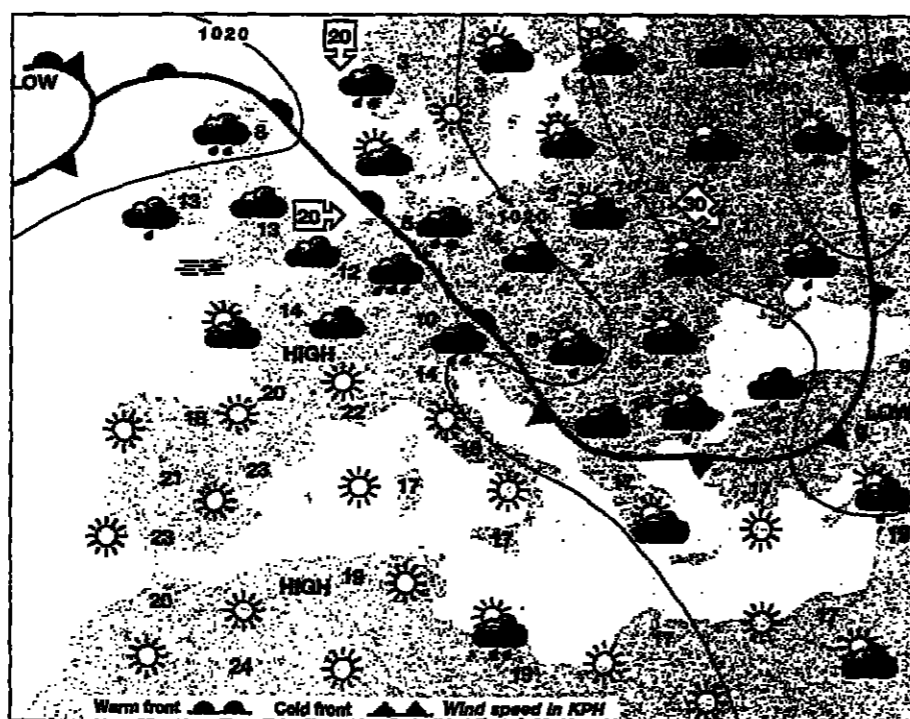
FT WEATHER GUIDE

Europe today

Temperatures will differ widely over north-west Europe as an elongated frontal zone extends from over the North Sea to central Europe. To the north of the front, over Denmark and northern Germany, conditions will be wintry, with sleet and local snow. To the south of the front, it will continue mild over France and the British Isles, where some sunny breaks will occur. The Benelux will be cold in the north but much milder in the south. Spain and Portugal will have plenty of sun and temperatures will be almost summer-like. Italy and Greece will also be pleasant.

Five-day forecast

Western Europe will become colder during the second part of the week. Windy showers are expected around the North Sea and over much of Germany. The Alps will have snow.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteorological Service of the Netherlands

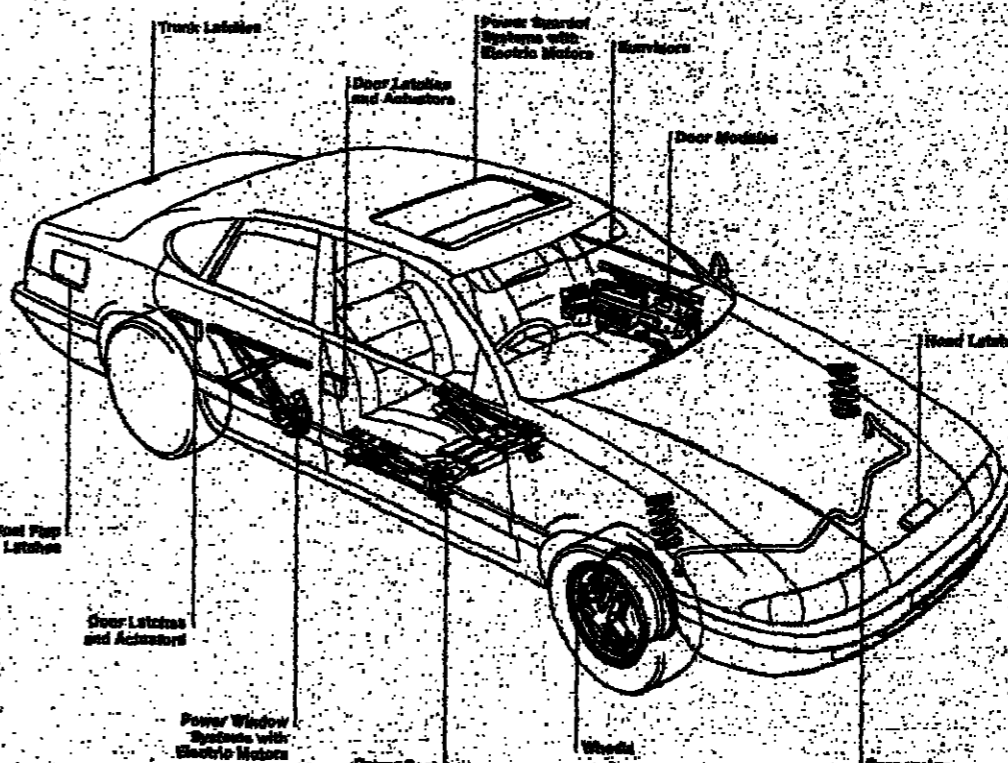
TODAY'S TEMPERATURES

Maximum	Belling	fair 11	Caracas	showers 31	Faro	sun 19	Madrid	sun 21	Rangoon	fair 36
Minimum	Calcutta	cloudy 12	Cardiff	drizzle 11	Frankfurt	showers 16	Melbourne	sun 16	Rangoon	fair 2
	Belfast	cloudy 6	Casablanca	sun 21	Geneva	cloudy 14	Mexico City	sun 25	S. Francisco	showers 25
	Azores	fair 25	Chicago	snow 3	Glasgow	cloudy 11	Miami	drizzle 11	Rome	fair 15
	Algiers	sun 19	Cologne	cloudy 9	Hamburg	fair 5	Montreal	showers 22	S. Paulo	cloudy 18
	Amsterdam	cloudy 9	Dakar	sun 27	Helsinki	fair 0	Moscow	sun 25	Seoul	fair 9
	Athens	fair 17	Dallas	cloudy 25	Hong Kong	cloudy 24	Mumbai	showers 27	Singapore	thund 32
	Atlanta	fair 21	Dubai	cloudy 30	Horaguru	sun 28	Nairobi	sun 30	Stockholm	fair 2
	B. Aires	cloudy 25	Dublin	fair 25	Islandia	showers 9	Paris	sun 20	Strasbourg	cloudy 12
	Bangkok	cloudy 12	Edinburgh	cloudy 13	Jakarta	showers 32	Peking	sun 20	Taipei	showers 25
	Bombay	showers 34	Geneva	fair 13	Jersey	fog 11	Perth	sun 20	Tokyo	cloudy 11
	Barcelona	sun 18	L. Angeles	sun 24	Kobe	cloudy 30	Porto	sun 20	Toronto	sun 0
			Los Angeles	sun 21	Kuala Lumpur	sun 22	San Francisco	sun 20	Vancouver	rain 10
			London	fair 23	Manila	showers 28	Seattle	sun 19	Vienna	rain 8
			Luxembourg	cloudy 12	Nice	sun 22	Shanghai	sun 19	Warsaw	cloudy 3
			Lyons	cloudy 11	Osaka	cloudy 12	Singapore	sun 20	Washington	cloudy 16
			Madrid	showers 20	Paris	cloudy 14	Singapore	sun 20	Wellington	fair 19
					Perth	showers 25	Singapore	sun 20	Winnipeg	sun -6
					Puerto Rico	showers 2	Singapore	sun 20	Zurich	cloudy 12

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday March 17 1997

Toyota in the fast lane

Toyota Motor's plan to build a second car factory in Europe is welcome. Recent pessimism about continental Europe is surely overdone if a world-class motor company is planning a factory in the heart of the EU.

The decision, if it goes ahead, to build in France seems remarkable given past Franco-Japanese trade frictions. France still maintains import quotas on Japanese cars, for example. Toyota has never mentioned France as a possible production site. Until now, the favoured option seemed to be to expand output in Britain and build a second, smaller plant in southern or eastern Europe.

However, there is logic in the plan. The French market, though mature, is a tempting prospect to Japanese groups precisely because their sales there are so low. If the problem is hostility to imports, setting up local production could be a spectacular success. But the venture is risky. If it goes wrong, Toyota could be left with a big plant in a high-cost region. The UK must not jump to any hasty conclusions. Toyota is not abandoning Britain, but engaging in perfectly justifiable geographical diversification. Toyota made waves earlier this year when it hinted a UK decision to stay out of European monetary union might affect its British investment plans. But there is little to connect this vague

warning with the Lens plan. The expansion of the UK plant continues as planned. However, Toyota's decision confirms the UK faces tougher competition for foreign investment than before. Even in the heat of the election, its politicians must remember that EU membership remains one of Britain's key advantages.

The plant should accelerate the restructuring of the EU motor industry, especially in France. Renault - in state hands till 1996 - faces the most urgent challenge.

Toyota's plant would lie close to the Belgian factory Renault is trying to shut. But Belgian politicians should remember that in free markets weaker companies can be expected to contract, while stronger groups expand. If Belgium wants to create jobs, it should raise its competitiveness, starting with cuts in non-wage labour costs.

However, as discussions over the Lens plant get under way, the French government should avoid offering excessive aid. Investment subsidies distort competition and encourage the creation of overcapacity. Money for Toyota could prompt other carmakers, including Renault, to come back to the trough. Ultimately, EU regional aid policy needs revising to limit subsidies. In the meantime, the European Commission should ensure France sticks to the rules.

Naming the day

At last Mr John Major is poised to name the day for the UK general election. Barring a last-minute hitch, the prime minister will travel to Buckingham Palace later today to seek the dissolution of parliament for a May 1 poll. The subsequent six-week campaign will be the longest in recent memory.

The nation's voters may be forgiven for thinking nothing much will change. After all, the Conservative, Labour and the smaller Liberal Democrat parties have been fighting an election campaign in all but name for the past two years.

There is also a widespread view that the outcome is a foregone conclusion. Not since 1945 have so many people assumed that the election was lost to the government before it was fought. Even in 1979, when Mrs Margaret Thatcher's Tory tide swept away the Labour government, the outcome never seemed quite as certain at the time as it does with hindsight.

But if a victory for Mr Tony Blair's New Labour has now become a near-universal assumption, even among Tory MPs, Mr Major is determined to make a fight of it. At the party's spring conference in Bath he laid out a prospectus for a fifth Conservative term, offering reassurance in economic management alongside radicalism in reform of the welfare state.

By pitching his appeal from the centre-ground of politics, Mr Major also signalled that he

intends to lead from the front. The Conservative campaign will be built almost wholly around the prime minister.

Whether he can successfully detach himself from his party's divisions and the jockeying for position among colleagues remains to be seen. The deep rift over Europe which has dogged his government will not be easily hidden.

But it is vital the air of inevitability which now hangs over the outcome does not discourage rigorous analysis of the parties' programmes. Opinion polls are not infallible. And serious debate on the issues - among them the economy, Europe, the welfare state and constitution - has so far been lost in a blur of negative campaigning and hyperbole.

The proposed series of televised debates between the party leaders could sharpen the focus on policy. Yet it is hard to see how Mr Paddy Ashdown, the Liberal Democrat leader, could be completely excluded. If he sticks to that precondition, Mr Major will raise the suspicion his challenge to Mr Blair is no more than a ploy.

The emergence of a broad consensus about the ground rules of economic management has been a welcome feature of British politics in recent years. But on other subjects, the parties still offer different analyses and distinctive solutions. It is those dividing lines which must now be explored and tested.

Kohl blinks

Mr Helmut Kohl did a deal with Germany's coalminers last week to ease the process of running down the rump of the nation's heavily subsidised mining industry. After thousands of workers had demonstrated on the streets of Bonn, the German chancellor agreed to a compromise which lifts the threat of compulsory redundancies, and pumps another DM1.65bn (\$870m) of state cash into the few remaining pits up to 2005.

On the face of it, the outcome is a sorry solution. State subsidies are being used to keep a high-cost, outmoded industry in existence for fear of provoking a political confrontation. The federal government had initially proposed cuts which would have cost nearly 60,000 jobs of the 85,000 still working in the west German coalmines. That was met by vigorous protests from the Ruhr and the Saarland. Now Bonn has backed down and agreed to throw more money at the problem. The 100,000 redundant miners from the brown coal industry in former East Germany will not be the only ones questioning the government's priorities.

Coal is available much more cheaply elsewhere, and the annual cost of subsidising each job in the German industry is put at up to DM130,000 - far more than the DM45,000 per job in inefficient German agriculture. With all the pain of trying

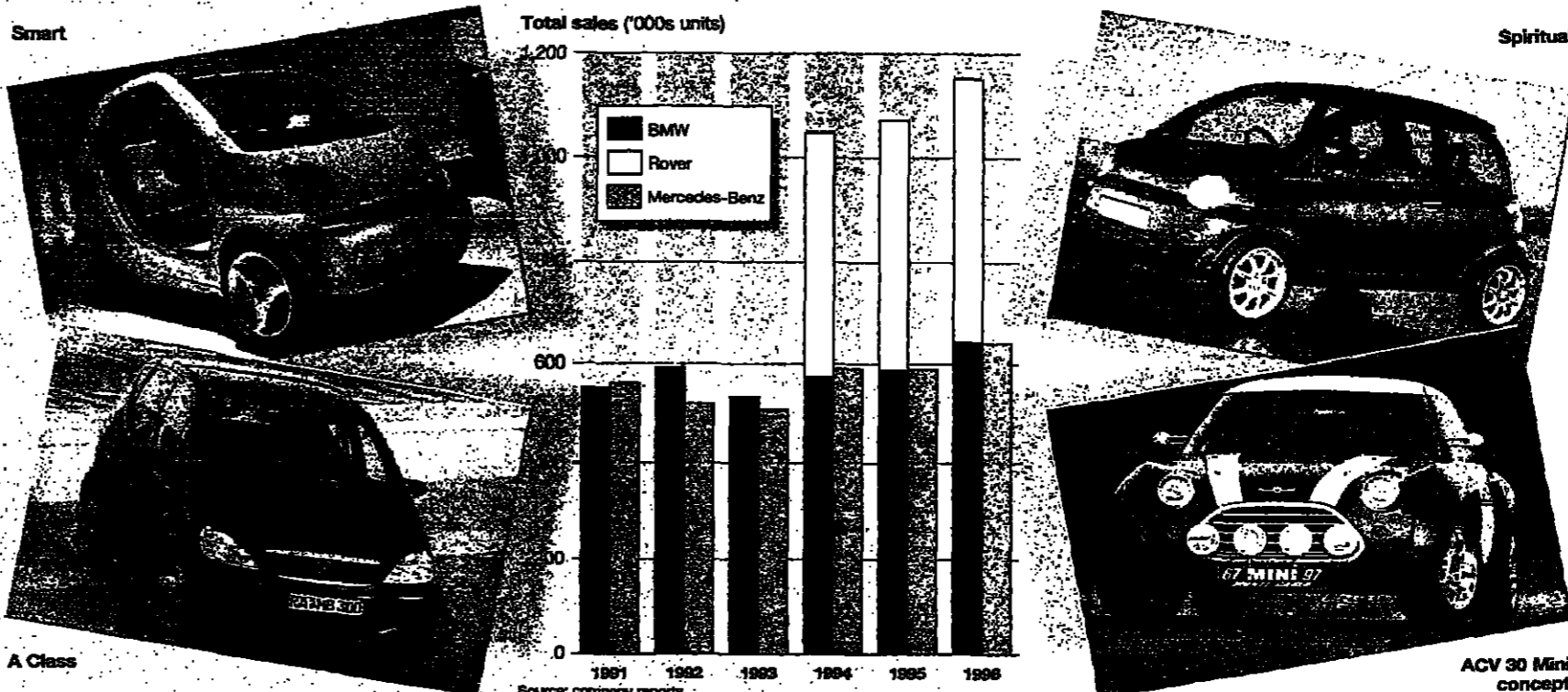
to cut budget spending to meet the Maastricht deficit criterion for monetary union, it seems perverse to be pumping money into a dying business.

In its defence, the compromise is a very German agreement to preserve social harmony - one described as "socially acceptable" by all participants. The industry will still be halved in size by 2005, with 26,000 jobs being cut by the turn of the century.

More important, perhaps, is the wider political context. By doing a deal with the miners, Mr Kohl has reopened the way for vital negotiations with the opposition Social Democrats on tax reform. He can also try again to find a solution to the problem of nuclear waste disposal. In effect, the chancellor has snubbed his coalition partners, the Free Democrats, who fought for a tough coal subsidy package, so he can do business with the SPD: it is a grand coalition in effect, if not in name.

Is this a demonstration of the wiles of a great survivor? Or is Mr Kohl showing ominous signs of weak leadership? It looks more like the latter. German coal is an industry which should have been allowed to run down much more swiftly. A partial reprieve sends a damaging message to all the other Germans who are being asked to tighten their belts to meet the Maastricht deadline.

Mercedes-Benz and Rover/BMW: the future is shrinking



Small is more profitable

Competitive pressures have forced two luxury carmakers to move into the minicar market, writes Haig Simonian

Two new cars turned out to be the showstoppers at the Geneva motor show this month, an annual Mecca for the industry.

On the Mercedes-Benz stand, rival carmakers jostled to ogle the A Class, the German company's first foray into the highly competitive small car market. Over at Rover, the crowds of top brass were almost as thick, with senior executives lining up to glimpse "Spiritual", a concept for the Mini of the next millennium.

The two vehicles highlight the trend among European carmakers towards smaller models. With demand for conventional vehicles, such as family saloons, virtually static, manufacturers have turned to new niches.

Minicars, epitomised by models such as Renault's Twingo and Fiat's Cinquecento, have been one of the fastest growing segments of the 1990s. Among other diminutive models making their debut at Geneva was Seat's Arosa, a tiny four-seater built by Volkswagen's Spanish subsidiary. The Arosa will spawn a near-identical VW-badged version later this year. Last October, Ford climbed on to the bandwagon with its un conventionally styled (and named) Ka. And General Motors is working on a scaled-down version of its already compact Corsa for sale before the end of the century.

Small cars are bread and butter for volume manufacturers such as VW and Ford, which produce a range of compact vehicles. But they represent a huge leap in the dark for Mercedes-Benz and Bayerische Motoren Werke (BMW). Rover's German parent, two companies that have built their reputation on big, expensive, luxury vehicles.

Their shift into the small-car market is largely driven by the need to break loose of a three-pronged trap: an ageing customer base, limited growth prospects and high manufacturing costs. The average age of a driver of Mercedes-Benz's pricey executive models is about 60. Sportier BMW types are younger - in their 40s -

but getting older on average.

Both companies have tried to appeal to a wider, younger audience by diversifying into new niches, such as station wagons and sleeky convertibles and coupés. Although the companies have also diversified into slightly cheaper models, growth in their main markets of Europe and the US is limited. Rising affluence in Asia and South America will provide some extra business, but not much.

Meanwhile, competition at the top end of the car market is stiffening. Jaguar, Ford's UK luxury carmaker, plans to triple output by 2000 to 100,000 units a year. Audi, VW's upmarket brand, has already eaten into Mercedes-Benz and BMW territory with more luxurious, higher-performance saloons. Competition from the luxury brands of Japan's volume carmakers, such as Toyota's Lexus subsidiary, is intensifying because of the weaker yen.

Mercedes-Benz and BMW are under additional pressure because of their high manufacturing costs at home. Their workers are among the highest paid in Europe's motor industry. Germany's generous social security allowances almost double the basic wage bill. Although productivity is relatively high, improvements have been resisted fiercely by the trade unions.

Both companies have responded by making more cars abroad. In the US, BMW last year completed a \$600m plant at Spartanburg in South Carolina for its new Z3 convertible. In Alabama, production of Mercedes-Benz's new M Class sports utility vehicle will start at a \$1bn facility in May. Both factories will grow. BMW is spending \$200m to expand Spartanburg for a second model to compete with the M Class, while Mercedes-Benz may use its facility for a second car to rival the 3 Series - BMW's top export to the US.

The competitive pressures in the luxury car business have convinced Mercedes-Benz and BMW they must do more than just diversify within their niche to generate long-term sales and

profits. "You have to keep growing or profits will be eradicated. Otherwise you end up in the same corner as Rolls-Royce," says Mr Helmut Werner, Mercedes-Benz's chairman until ousted in January.

"One thing is undisputed. To do nothing would be fatal," agrees Mr Bernd Pischetsrieder, BMW's chairman.

The A Class and the Mini concept car show how Mercedes-Benz and BMW plan their move into the mainstream market. Although the two companies are united in their ambitions, they have chosen very different routes to get there.

BMW's \$200m (\$1.27bn) acquisition of Rover, the UK carmaker, in 1994 virtually doubled production overnight. Technologically, Rover added the front-wheel-drive knowhow used on virtually all the world's small cars to BMW's expertise with large rear-wheel-drive vehicles. And it offered a second low-cost production base besides the US. Last November, BMW picked the UK for a new \$400m engine plant for both brands.

Above all, Rover added a clutch of smaller, cheaper models to BMW's stable. While some, such as the Rover 100 (the former Metro) are due for extinction, others are likely to grow. Mini, for example, is destined to become the brand name for a family of compact cars early next century.

Mercedes-Benz also considered buying Rover, but decided instead to develop its own small cars. When sales of the A Class start in October, it will take the company into the second biggest segment of Europe's car market, pitching the prestigious carmaker against the likes of VW, Ford and GM's Opel subsidiary.

Next year, Mercedes-Benz will move even further downmarket with the Smart, a tiny two-seater for urban use being developed with Société Suisse de Microélectronique et d'Horlogerie (SMH), the Swiss group behind the Swatch. The A Class, just 3.6

metres long, will compete head-on in price with VW's new Golf when both go on sale in September, costing about DM30,000 (\$17,600). The Smart will be cheaper still, at between DM15,000 and DM20,000.

The dilemma for Mercedes-Benz is to move into these cheaper categories without jeopardising the high-class image that has given it the widest profit margins in the European motor industry. Neither is it certain that customers will take to the A Class or the Smart. Both are styled unconventionally and bristle with innovations.

Even if it gains acceptance, the A Class will stretch Mercedes-Benz's sales and marketing skills. Salesmen will have to adapt to new types of customer and dealers will have to expand their premises. Traditional upper-crust buyers may balk at having to wait behind A Class customers.

The risks to Mercedes-Benz's "brand values" are even more acute with the Smart. Although the company has kept the project at arm's length by working through Micro Compact Car - its joint venture with SMH - a flop would prove deeply embarrassing. "It could prove an extremely expensive experiment," says the head of one of Europe's leading makers of small cars.

The challenge for BMW is different because the company can work through Rover. Such brand differentiation will allow BMW to continue focusing on its traditional niche, while Rover will spearhead the group's assault on the small car market.

While branding may be simplified, the takeover has presented a host of other difficulties. Financially, Rover will be a drain for years.

The UK company lost DM335m in 1995, according to BMW's conservative accounting standards. This year's loss should be smaller but still sizeable. Mr Pischetsrieder says Rover will not be profitable before 2000. Until then, BMW is committed to spending about \$500m a year to boost Rover's previously underfunded new product budget.

Rover has also involved signif-

icant changes to BMW's corporate culture. The UK company, which has almost 40,000 employees - two-thirds the size of BMW - is a big mouthful for a group that has expanded only cautiously abroad and been run centrally from its Munich head office.

It is not certain BMW has mastered the challenge. After a fairly hands-off approach for the two years following the acquisition, the German group has become more interventionist in the light of Rover's poor revenues and profits. Although Rover's sales rose by 5 per cent to 507,000 units last year, its share of the core UK market fell to 10.9 per cent from 12.3 per cent in 1995.

Mr Walter Hasseleskus, Rover's BMW-appointed chairman, admits the UK company's performance will only improve with a new generation of BMW-inspired small and medium-sized cars. It is too early to tell whether Mercedes-Benz or BMW has chosen the better strategy to break into the mainstream car market. Mr Chris Will, motor industry analyst at Lehman Brothers in London, argues the outcome will be positive in either case. "Whether they succeed or not, it shows the managements of Germany's car companies have become more realistic about the pressures on their industry."

The chairman of a rival German carmaker disagrees. He argues Mercedes-Benz and BMW have both erred. The A Class is commercially risky, while the Smart will be a disaster because it is so unconventional. And it will take BMW a decade to put Rover right, he says. In the meantime, both Mercedes-Benz and BMW will suffer.

Such comments are hardly surprising from a competitor, which stands to gain from the discomfort of either rival. But doubts over the strategic paths chosen by Mercedes and BMW cannot be merely brushed aside.

One day, the question of which, if either, was correct may become a classic business school case study. By the time students get their hands on the text, we should all know the answer.

OBSERVER

Cutting out the cake

■ The stampede to get married in Pakistan is over. From yesterday, happy couples can still tie the knot - but they'd better keep it cheap and simple.

Sumptuous wedding parties, expensive fireworks and illuminations are history, following a new presidential decree intended to promote a simplistic approach to wedding nuptials. From now on, guests can expect nothing more elaborate than a cup of tea; those who flout the law can expect fines of up to \$7,500.

The controversial measure follows a promise last month from prime minister Nawaz Sharif, who criticised excessive expenditure on weddings. Hence, the record number of ceremonies; hotel executives in Lahore received up to 50 wedding reception requests daily in the 10-day run-up to implementation of the new law - three times the normal average. Hoteliers, private caterers and even poultry farmers tried unsuccessfully to get the proposals dropped, warning that their businesses would suffer huge losses. Under the new regime, hosts must serve wedding meals in their own homes - and then only to guests from out of town.

Not everyone is against the new rules, however. Many people believe wedding celebrations have got completely out of hand; eight-course meals are commonplace and financial demands on the bride's family increasingly excessive. Now proud parents can offer basic hospitality - and blame it on the government.

Bloc vote

■ Gilles Duceppe is surely the only opposition leader with no ambition whatsoever to form a government. Duceppe was chosen over the weekend to lead the Bloc Québécois, the group representing Quebec separatists in Canada's House of Commons.

Thanks to its concentrated geographical base, the Bloc has 53 of 295 seats in the Commons, giving Duceppe the rather incongruous title of Leader of Her Majesty's Loyal Opposition. The party may again win enough seats in Canada's next general election for him to keep the title for another five years - unless Quebec in the meantime goes its own way.

The Bloc is a strange creature in other ways too. Although Duceppe, a former union organiser, supposedly leads the party, few are in any doubt he answers to Lucien Bouchard, who quit the Bloc last year to

Bangkok blues

■ When Thailand's economy was booming, pricey art auctions were all the rage among Bangkok's Mercedes and Rolex set. Now the gavel is more likely to fall on collateral pledged to banks by struggling Thai property developers; the results of such "distress" sales are not for the squeamish.

When property company Uninvest Land defaulted on an \$8m loan to United Overseas Bank of Singapore, the bank - as required by Thai law - tried to auction off \$5.8m Uninvest shares in order to recoup losses. The first attempt was cancelled because of legal problems and a lack of interest from bidders.

Now a second auction, packed with lawyers and other Uninvest creditor banks, has underlined just how serious the property sector's problems have become. The only bidder started at \$12.70 a share - the price Uninvest shares last traded at before their suspension - and enough for

Unfolding drama

■ Peruvian actors have been lining up by the dozen to win a part in the movie version of the hostage drama still unfolding at the Japanese ambassador's home in Lima. The real-life plot - heavily armed Marxist rebels overwhelm a lavish cocktail party and take hostages to demand freedom for their jailed comrades - may be a Hollywood scriptwriter's dream but the siege remains an unhappy reality. Director Leonidas Zegarra says production will start very soon, even though the outcome remains unknown; he's not alone in hoping the 90-day siege will be concluded long before the film.

Financial Times

100 years ago

Dances Of Death
In a New York insurance paper there is made, apparently in earnest, a suggestion that Life Insurance companies should, for an extra premium, guarantee against premature burial by keeping staves on the safe deposit principles, where their deceased clients should be kept until it was beyond doubt that they had changed from "customers" to "claims". An additional feature of the scheme is that, if the policyholder should prove to be alive after all, he should pay a substantial sum to the Company which had stored him. If the proposal be genuine, it is idiotic, while if it be a carefully concealed joke, the current would be a fine subject for burial without the precautionary interval.

50 years ago

America In Europe
President Truman's message to a joint session of the United States Congress last week, asking for immediate aid for Greece and Turkey, was an historic event. And it breathed America's anxiety over the prospect (to quote the New York Times) of "a world without British power; without the balance-wheel of British moderation." America has been forced to decide quickly upon a vital issue.

COMPANIES AND FINANCE: INTERNATIONAL

Accelerated process may hold down cost of absorbing Telecom Italia

Stet unveils share swap details

By Paul Betts in Milan

The board of Stet, the state-controlled telecommunications group, has released long-awaited details of a share swap which will lead to its merger with Telecom Italia, the fixed-line operating company, ahead of privatisation.

It has accelerated the process in what appears to be a move to hold down the cost of buying out investors. Under the privatisation programme, the Stet holding group will absorb Telecom Italia and then be renamed Telecom Italia ahead of flotation.

Late on Friday, the boards of Stet and Telecom Italia approved the exchange ratios for the merger at 10 Stet ordinary shares for every 18 Telecom Italia ordinary shares and 10 Stet savings shares for every 17.2 Telecom Italia savings shares. The ratios were in line with market expectations.

To proceed with the share exchange, Stet will increase its capital by up to L3,170bn (\$1.93bn), to L7,451bn.

The new shares will have the same nominal value as existing Stet shares, of L1,000 each. Shareholders who opt to cash in their

shares rather than exchange them will be offered a price based on the average share price during the last six months.

Following the exchange, which is now expected to be completed at the end of next month or early May, the Treasury's majority stake in the new merged group will drop from 61.27 per cent to 44.7 per cent.

By calling shareholder meetings on March 26 and April 30 to finalise and approve the share swap, the government can set the price at the average for the six months to March in order to limit the effects of

speculative price rises.

The March 26 meeting will also approve the introduction and terms of a golden share for the state.

Stet shares began their sharp rise in November 1996, and Telecom Italia's in December. On Friday, ahead of the announcements, Stet shares closed 1.76 per cent higher at L7,765, while Telecom Italia was up 3.67 per cent at L4,405.

The details of the share swap were announced as Stet reported flat 1996 earnings of L1,100bn, while Telecom Italia saw profits surge 53.7 per cent to L2,119bn. Turnover at Telecom Italia

rose 3.7 per cent to L29,376bn, after L28,322bn the previous year, after stripping out revenues from the company's cellular telephone activities, which were spun off in July 1995.

Stet's disappointing 1996 earnings reflected heavy losses at its advertising distribution subsidiary, MMF. The strong advance at Telecom Italia reflected cost cutting, increased revenues from new services and lower debt service costs.

Telecom Italia is to increase its 1996 dividend for ordinary shares from L120 to L135, and from L140 to L145 for savings shares.

Deutsche Bank says forex side up sharply

By Simon Kuper

Deutsche Bank has revealed that it bucked the trend in the foreign exchange industry last year with a 24 per cent jump in forex revenues.

The rise to \$398m, well above City forecasts, suggests that the bank's heavy investment in currencies since 1994 has helped make it one of the five or six biggest banks in the forex industry.

One executive said its currency profits for 1996 had risen "easily" by the same proportion as currency revenues. Until three years ago the bank traditionally placed little emphasis on foreign exchange. It will only reveal its divisional profits breakdown next week.

Group net income rose only 5 per cent in 1996 to DM2.5bn (\$1.29bn), although operating profits jumped 37 per cent to DM5.5bn.

Deutsche's rise will particularly surprise City analysts since forex revenues fell at most of the bank's rivals in 1996. Low volatility in the currency markets and the advance of electronic trading systems both cut margins on spot trading. Revenues at Citibank, the forex sector leader, fell 17 per cent to \$832m, while Chase, HSBC Midland, UBS, BZW and others also suffered falls.

Of the biggest players, only J.P. Morgan, with a 26 per cent rise in sales to \$330m, matched Deutsche's performance.

Mr Michael de Sa, global head of foreign exchange at Deutsche Morgan Grenfell, Deutsche's investment bank, said most of the 24 per cent revenue rise had come from derivatives and emerging markets. These were still growing "dramatically" across the industry.

As with most banks in the currencies sector, Deutsche Bank's profits growth from trading was lagging. Electronic brokers had made spot trading a commoditised service, said Mr de Sa.

INTERNATIONAL NEWS DIGEST

Alcatel debt put on credit watch

Standard & Poor's, the credit rating agency, has put the long and short-term debt ratings of Alcatel Alsthom, the French telecoms and engineering group, on negative credit watch.

The move follows Alcatel's decision to make a joint offer with an arm of Dassault, the aircraft maker, for a majority stake in Thomson-CSF, the defence electronics group being privatised by the French government. The agency said the impact of a takeover of control of Thomson-CSF on the quality of Alcatel's credit was "difficult to estimate at this stage". The main elements of uncertainty were "the price and precise modalities of the acquisition of a group of Thomson-CSF's size, including its future structure, when Alcatel is itself engaged on an important restructuring of its activities".

However, the agency said the quality of Thomson-CSF's portfolio of activities and the possibility that other partners might join Alcatel and Dassault could compensate for any negative impact attributable to these factors.

David Owen, Paris

Applied Magnetics drops bid

Applied Magnetics has withdrawn its hostile bid to take over rival disk-drive parts maker Read-Rite Corp, because of a sharp drop in its share price. On February 24, when Applied Magnetics made its \$1.8bn all-stock offer, its shares closed at \$33. On Friday, they hit an intraday low of 32 1/4. Trading in Applied Magnetics and Read-Rite shares was halted on Friday, after Applied Magnetics disclosed it would drop the bid.

AP-DJ Goleta, California

Wolters Kluwer lifts payout rate

Wolters Kluwer, the Dutch publisher, is to distribute 35 per cent of its annual net earnings instead of the previous 30 per cent. "This higher structural level is 'more in line with current international expectations,'" the group said, in unveiling a 6 per cent rise in after-tax profits to F147m (\$13.6m) for 1996.

From net earnings per share of F17.03 fully diluted, compared with F16.70, the dividend rises to F12.48 from F12.16. The company had thought growth unlikely last year because of a F16m goodwill write-off and higher financing charges after its F13.1bn acquisition of CCH, a US legal and tax publisher. Other purchases in business publishing during the year totalled some F160m. CCH was the main factor in a 47 per cent jump in sales to F14.315bn.

Gordon Cranah, Amsterdam

Philippines launches eurobond

The Philippines' bid for international recognition on the capital markets has been given a boost with the launch of 3bn pesos (\$114m) in peso-denominated eurobonds. The World Bank offering will have a maturity of five years and a coupon rate of 10.35 per cent. It follows the first eurobond issue, for 2.6bn pesos, launched last week by the International Finance Corporation, the private sector arm of the World Bank.

The Philippine peso has been accepted into Euroclear, the world's largest clearance system for internationally traded securities. The peso becomes the 37th currency in Euroclear.

Justin Marozzi, Manila

Domínguez starts trading

Adolfo Domínguez, the up-market fashion designer and retailer, will start trading today on Madrid's Bolsa after breaking records for a listing on the domestic market. The initial public offering, which was priced at Ptas100, the top of its range, was 70 times oversubscribed. Demand on the retail tranche was 182 times the amount offered.

Tom Burns, Madrid

Technip ahead 21% for year

Technip, the French engineering group, has reported a 21 per cent advance in annual profits from FF440m to FF534m (\$84.7m). The result was achieved on turnover up 8.6 per cent, from FF39.34bn to FF42.14bn. The company proposes a dividend of FF10.50 a share - an increase of nearly 17 per cent from the FF9 paid in 1995.

David Owen, Paris

Lufthansa seeks Asia partner

Lufthansa, the German airline, yesterday said it was talking to "several" possible partner airlines in Asia to boost its operations in the region. The group wants to build on an existing co-operation agreement with Thai Airways, as well as alliances with United Airlines and SAS. Lufthansa is preparing for full privatisation later this year against a background of intensifying competition in the world airline business.

Ralph Atkins, Bonn

Fresenius signs biotech deal

German drugs company Fresenius has signed what it claims is the largest deal yet for the products of genetically engineered animals with the US biotech company Genzyme Transgenics. The deal, worth up to \$17m plus royalties, is for human serum albumin, used to raise blood volume and treat blood protein deficiencies. Fresenius estimates the global sales of blood albumin at \$1.3bn. Supplies are currently extracted from human blood, with associated costs and risks of disease. Under the agreement, Fresenius will conduct clinical trials, and sell and market the product.

Daniel Green

Gas Natural mops up Enagas

Gas Natural, the Spanish gas concern, has agreed to pay the government Ptas14bn (\$97m) for the 9 per cent shareholding it did not already own in Enagas, the formerly state-sector gas transport and storage company. The sale completes the Spanish government's withdrawal from direct stakes in the gas business. Gas Natural's main shareholder is the Repsol oil group, also due to be fully privatised when the state offers its remaining 10 per cent share next month.

David White, Madrid

T-Mobile and Debs in venture

T-Mobile, Deutsche Telekom's mobile unit, and Debs, the financial services, computer software and telecoms division of Daimler-Benz, have formed a joint venture in information technology for transport.

AP-DJ Frankfurt

Apple cuts fail to remove doubt

Apple Computer ended weeks of speculation over the extent of its planned cutbacks on Friday by announcing a 30 per cent reduction in its workforce. Operations will be pared to the core in an effort to stem the company's decline.

The future of some segments of Apple's business - including Newton, the hand-held computer, and Claris, the software subsidiary - remains in limbo as the company explores possible divestments, licensing agreements or industry partnerships in order to lower costs.

Mr Gil Amelio, chairman and chief executive, left little doubt, however, that Apple is finally taking a more decisive approach to resolving its problems.

Some 4,100 jobs will be cut, including 2,700 full-time employees and an additional 1,400 contract and temporary workers.

Most of the cuts will come from research and development, manufacturing and marketing. Slightly more than half will be in the US, with the remainder spread throughout international operations. However, there will be no job losses in Japan, where Apple is struggling to shore up its declining market share.



Gil Amelio: convinced cuts would put Apple on right road

"I am absolutely convinced [these decisions] will put us back on the road to health," said Mr Amelio. "We are at the cusp of turning this around."

The goal, said Mr Fred Anderson, chief financial officer, is to reduce annual expenses by \$500m, to less

than \$1.6bn. This will enable Apple to break even on annual revenues of \$8bn or less, assuming a 20 per cent gross margin.

Some analysts, however, expressed concern that the cost-cutting may not go far enough as Apple's revenues continue to decline. Revenues for the current quarter, ending March 28, will be about \$1.6bn-\$1.7bn, said Mr Anderson. This represents a 22-26 per cent drop from the same period last year.

About \$200m of the shortfall was explained by a "balancing" of excess stocks in US retail channels, Mr Anderson said. Nonetheless, Apple is losing ground in a fast-growing market. If revenues fell much below \$8bn for the year, further cost-cutting might be needed.

Apple still expects to return to profitability by the fourth fiscal quarter, ending in September. With the clock ticking, this now seems to be an optimistic projection.

The company is aiming to realise 80 per cent of the cost savings expected from its restructuring in the quarter ending in June. This leaves little time to make effective job cuts. It also seems to take little account of the disruption typically caused by a broad restructuring.

Even as Apple addresses its "bottom line" problems, it risks discontent among normally enthusiastic customers. "All the cool technologies have been sacrificed," complained one writer in the Macintosh "advocacy" Internet news-group. "I've halted my decision to get a new Mac."

A backlash from Macintosh fans could exacerbate the problems faced by Apple, which has long counted customer loyalty among its most valuable assets.

Apple must now take action to "make sure it doesn't lose any more customers," said Mr Tim Bajarin, president of Creative Strategies Research International, a market research and consulting group. New products, due later this year, may now be Apple's best bet for recovery, he said.

Software developers, another important constituency for Apple, may also be upset by the cuts. Only two months ago, Apple was touting the advantages of OpenDoc, a component software development tool. On Friday the company said it would halt investment in the product.

Apple is criticised whatever it does, complained Mr Guerrino De Luca, newly appointed head of marketing. Cutting costs is an important step, but finding a compromise between economic necessities and the desire of its customers for products that are clearly differentiated from standard PCs remains one of Apple's biggest challenges.

Louise Kehoe

Swire Pacific advances 19%

By John Fiddling in Hong Kong

Swire Pacific, the Hong Kong conglomerate, has announced a 19 per cent increase in net profits, to HK\$7.65bn (US\$969m), for 1996, as underlying earnings were boosted by exceptional gains.

The results, which were slightly above expectations, included a HK\$1.65bn gain on the sale of an 89 per cent stake in the Marriott hotel, and exceptional profits of HK\$469m from the sale of an 11 per cent indirect stake in Dragonair, the regional airline.

Mr Peter Sutch, chairman, was generally positive about prospects for 1997, but cautioned over the continued effects of a strong Hong Kong dollar, high fuel prices and rising competition on Cathay Pacific, the airline in which Swire holds a 44 per cent stake.

The Swire chairman described as a "top priority" efforts to build the group's land bank to maintain earnings growth in the property division. "We will take steps to replenish the land bank wherever possible," he said, although he stressed that a "good portion" of property earnings are generated by the group's investment portfolio.

Last year, the division raised attributable profits 12.7 per cent to HK\$4.57bn, supported by growth in recurrent earnings from investment properties.

The aviation arm lifted profits from HK\$1.83bn to HK\$2.28bn. Since the reduction of the group's stake in Cathay Pacific last year to below 50 per cent, the carrier's results are no longer consolidated.

The industry division, which includes bottling and engineering, lifted profits from HK\$470m to HK\$479m, while the marine services division climbed from HK\$311m to HK\$327m. However, in motor distribution in Taiwan suffered problems, and profits fell from HK\$199m to HK\$164m.

Mr Sutch said the group had been undergoing a process of "fine-tuning its divisions", including the sale of non-core businesses. It has also pulled out of insurance underwriting and agency business, and cut activity in insurance broking.

Swire said there was no clear explanation for the under-performance of the group's share price in recent months.

"The lacklustre performance is not deserved," said Mr Peter Johannes, finance director.

Reflecting the change in accounting for Cathay, group turnover fell from HK\$53.66bn in 1995 to HK\$38.35bn last year. Earnings per A share rose from HK\$4.07 to HK\$4.33, while earnings per B share rose from 81 cents to 97 cents.

Dividends rose from HK\$1.59 to HK\$1.77 for A shares and from 32 cents to 35 cents for B shares.

Reliance pays first direct tax

By Tony Tassell

Reliance Industries, the Indian petrochemicals to textiles group controlled by the Ambani family, has paid direct corporate tax for the first time since going public 20 years ago.

The move by the company, which is seen as a benchmark for effective tax planning in India, is likely to set a precedent for many other "zero tax" companies in the country.

It will also boost the hopes of Mr P. Chidambaram, the Indian finance minister, of

encouraging greater tax compliance following large-scale reductions in corporate tax rates in last month's national budget.

Mr Chidambaram has budgeted for a 15-16 per cent rise in overall tax revenues in the year to March 30, 1998. This increase will be crucial to the government's plan to reduce India's fiscal deficit in 1997-98 from 5 per cent to 4.5 per cent of gross domestic product.

Reliance confirmed it made a Rs500m (\$142m) tax payment after the introduction of a minimum

corporate tax in India, but declined to give more details.

Analysts said the payment was expected to be the first instalment of Reliance's total tax bill for 1996-97, which was forecast to be more than Rs15bn.

Although in the past the company has paid substantial indirect tax and excise duties, Reliance has paid no direct corporate tax since it listed in 1977, because of tax credits and allowances resulting from its aggressive programme of capital investment in

plants and projects. Analysts said the accounting treatment of the new payment was so far unclear. Under the recent budget changes, minimum corporate tax payments earn the company a tax credit which can be carried forward for five years. This credit can be offset against regular corporate tax payments when they become payable.

The effective rate of the minimum corporate tax was also reduced in the budget, from 12.5 per cent to 10.5 per cent of book profits.

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Tropical hardwood trees are more valuable to loggers than other trees in the rainforest.

High prices for hardwoods ensure that loggers have no qualms about destroying other trees that stand in their way.

So a WWF project in Costa Rica is researching ways of felling a tree without bringing down several others around it. And how to remove it without bulldozing a path through the surrounding trees.

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World Wide Fund For Nature
(formerly World Wildlife Fund)
International Secretariat, 1196 Chaux-de-Fonds, Switzerland.

"Facts are 'filtered' through our hearts."

KAZUO INAMORI, founder of Kyocera



FINANCIAL TIMES COMPANIES & MARKETS

Monday March 17 1997

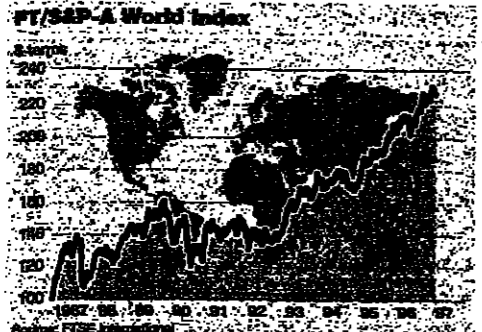
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IN BRIEF

FT S&P-Actuaries' 10th anniversary



The FT S&P-Actuaries World Index is 10 years old today. Set up just seven months before the 1987 Crash, the index has survived a turbulent decade as the popularity of cross-border investment has grown.
Pension funds and insurance companies now scour the globe in favour of profitable opportunities, increasing the need for a benchmark to measure their performance. More and more countries have embraced the free market ethos, at least in some form; few would have dreamed, 10 years ago, that Russia would be one of the best performing markets of 1996.
The growth of passive investing, in which managers try to match the performance of a specific index, has increased the opportunities for the FT/S&P-A World Indices. Pages 22-23

Rome accelerates Stet merger
The board of Stet, Italy's state-controlled telecommunications group, has released details of a share swap which will lead to its merger with Telecom Italia, the fixed-line operating company, ahead of privatisation. It has accelerated the process in what appears to be a move to hold down the cost of buying out investors. Under the privatisation programme, the Stet holding group will absorb Telecom Italia and then be renamed Telecom Italia. Page 20

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LME votes on board revamp
The London Metal Exchange will today hold an extraordinary general meeting to vote on changes to the structure of the board in the wake of the Sumitomo copper trading scandal. The reform of the LME comes after the Securities and Investments Board, the City of London's chief financial watchdog, called for substantial changes in its operations. Page 25

Capital Corp launches Clubs defence
Capital Corporation, operator of two of London's leading casinos, will tomorrow launch its defence document against the hostile bid from London Clubs, its larger rival. Meanwhile Ladbrokes, the hotel and betting group, said it was continuing to watch the situation, but would make no comment on the possibility of a counter bid. Page 21

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Human rights and environmental activists to participate in projects Shell to consult pressure groups

By Robert Corzine in London

Royal Dutch/Shell, the largest international oil company, is to invite environmental and human rights groups to participate in some of its more sensitive projects in the developing world.

In a radical departure from past practice, the Anglo-Dutch oil group says the early involvement of non-governmental organisations in sensitive projects, especially in Africa and Latin America, will become standard practice.

Managers at the company are believed to have reassessed the way it operates after international criticism of its record on human rights and environmental issues.

In 1996 Shell faced widespread condemnation of its activities in Nigeria following the execution of minority rights activist Ken Saro Wiwa and an outcry in Europe over its plan - later dropped - to dump the obsolete Brent Spar oil storage installation in the Atlantic Ocean.

"We learned from those two events that we had not been listening enough," said Mr John Jennings, chairman of Shell Transport and Trading, the group's UK arm.

Shell hopes the new approach will help it identify environmental or social issues with the potential to flare up into serious problems.

Shell also plans to ask pressure groups to monitor and audit the implementation of sensitive projects. It says it will publish the results of the monitoring even if they are not flattering to the company.



Starting to listen: John Jennings, above, said Shell learned new approach after the outcry over Ken Saro Wiwa and Brent Spar

"We should use the increased scrutiny of NGOs as a tool to strengthen our performance," said Mr Jennings. Shell intends to use a wide range of pressure groups, "including those who wish you were not there".

Shell has been the most secretive of the big international oil companies, with a reputation for being arrogant. But senior executives, including Mr Cor Harkströter, the

group's senior managing director, believe it must become more transparent and accountable.

Last year Mr Harkströter acknowledged that Shell had "become inward looking, isolated and consequently some have seen us as a state within a state".

The company will today publish a new statement of business principles, which for the first time recognises that it

has a duty to express support for fundamental human rights. It also emphasises to employees that the new practices are mandatory across the group.

The document also notes that social and environmental issues must be taken into account when deciding whether to make a particular investment.

Not all Shell managers are believed to be happy with the changes. Top executives and

lower-level employees are said to be supportive, but some middle-level managers are thought to be reluctant to embrace the new transparency.

The company said the new document had not been drawn up in response to a resolution criticising its environmental and social track record that a group of shareholders had put to the Shell annual meeting in May.

Buffett plays down 'super cat' danger

Berkshire Hathaway risk calculated at \$600m

By Tracy Corrigan in New York

Mr Warren Buffett, the US investor known as the Sage of Omaha, has estimated that his Berkshire Hathaway investment company would lose no more than \$600m (\$577m) - or 1.5 per cent of its market value - following a "super-catastrophe" such as a big earthquake.

Despite twice setting records in underwriting catastrophe risk last year, Mr Buffett says the former textile business he has turned into one of the most valuable US companies is taking calculated risks.

Mr Buffett says in his annual letter to shareholders that Berkshire Hathaway

would sustain a \$600m post-tax loss if there was a big claim on one of its policies such as the \$1bn of reinsurance written for the California Earthquake Authority.

In the first of his letters to be posted on the Internet - he "decided to enter the twentieth century", he confides - Mr Buffett has not lost his characteristic intellectual humility.

On the odds of having to make a payout during the California policy's term, he admits: "We don't know," citing the Northridge quake of 1994 which caused much big-

ger losses than computer models had predicted.

The company tries to price conservatively but, he notes: "The super-cat [short for catastrophe] business is just like the investment business in that it often takes a long time to find out whether you knew what you were doing."

Berkshire's business sells policies to insurance and reinsurance companies to protect them from the impact of large-scale disasters. Since these are rare, the business will show large profits in most years.

"What you must understand,

however, is that a truly terrible year in the super-cat business is not a possibility - it's a certainty," he writes.

His letter also includes the prerequisite dose of homespun wisdom, laced with his usual scepticism about short-termist Wall Street ways.

Suggesting that an investor "should sell off portions of his most successful investment simply because they have come to dominate his portfolio is akin to suggesting that the Bulls trade Michael Jordan because he has become so important to the team," Mr

Buffett contends. But he has some words of warning for investors about elevated US stock prices; the risk of overpaying "may now be quite high for the purchase of virtually all stocks".

Mr Buffett is still cracking jokes. He notes in his letter the advanced years of some of Berkshire's business managers. Mr Al Uelsch, the head of newly-acquired Flight Safety,

is 79. "To get a job with us, just employ the tactic of the 76-year-old who persuaded a dazzling beauty of 25 to marry him. 'How did you ever get her to accept?' asked his envious contemporaries. The comeback: 'I told her I was 86'."

Agrobanka set for foreign sale

By Vincent Boland in Prague

The biggest casualty of last year's Czech banking crisis, Agrobanka, will soon be offered for sale to a foreign investor.

The sale of Agrobanka, the largest fully private Czech bank at the time of its near-collapse last September, is expected to attract strong interest and could herald a significant shake-up in the country's banking sector.

ING and ABN Amro of the Netherlands and Citibank and GE Capital of the US are known to be eyeing the Czech market. The European Bank for Reconstruction and Development has also signalled its interest in taking a stake in the bank alongside the strategic investor.

Mr John Sleeman, director of HSBG Investment Bank, which

is handling the sale for the Czech National Bank, said there had already been "quite a lot of unsolicited interest from good names". An information memorandum should be ready for potential buyers next month.

Agrobanka's near-collapse was the peak of a series of failures among second-tier Czech banks. It faced a liquidity crunch when other banks refused to lend to it on the interbank market following the arrest on fraud charges of executives at Motoinvest, an investment company that controlled it at the time.

The central bank (CNB) appointed an administrator to rescue it and last week approved a restructuring plan under which Agrobanka's assets and liabilities "whose value is not in question" are to be transferred to a new entity

which will be offered for sale.

Whoever buys this slimmed-down Agrobanka will be asked to inject enough capital to create equity and bring its capital adequacy ratio up to CNB requirements. "It requires a certain level of equity, so a minimum investment has to be made," Mr Sleeman said.

The rest of the bank will be retained by existing shareholders while its value is assessed, according to Mr Jiri Klumppar, Agrobanka's administrator. Price Waterhouse, which has been advising on the bank's split, has recommended that provisions of Kcs8.7bn (\$300m) be made against this part of the bank, which Mr Klumppar said had created "a large deficit in the assets of the bank at this time".

Agrobanka had assets of about Kcs70bn when it was taken under CNB control.

Belgium warns on merger plan

By Neil Buckley in Brussels and David Owen in Paris

The Belgian government has expressed fears for the future of Tractebel, the powerful Belgian utility group, in the event of a merger between France's Compagnie de Suez, the holding company, and Lyonnaise des Eaux, the utilities group.

Mr Jean-Luc Dehaene, the Belgian prime minister, has warned that any merger between Suez and Lyonnaise des Eaux could have important consequences for Belgium's energy sector. Last week he met all parties to the potential merger. His deputy, Mr Elio di Rupo, said the merger would be bad for Belgian economic interests. Their comments follow spec-

ulation that Suez and Lyonnaise des Eaux are near agreement on a merger.

Suez has, since 1988, owned 64 per cent of Société Générale de Belgique, Belgium's biggest holding company, which controls Tractebel through a 65 per cent stake.

Tractebel, regarded as one of Belgium's industrial jewels, dominates the country's energy sector with a 45 per cent stake in Electrabel, the electricity monopoly which is Belgium's biggest company by market capitalisation, and almost 60 per cent of Distrigaz, the gas utility.

Although Tractebel and parent SGB have, through Suez, been controlled by the French since the 1980s, Belgian analysts fear the merger of Suez with another utility could

harm Tractebel. Analysts fear Lyonnaise could take contracts from Tractebel, and that international expansion opportunities would go to the French, not the Belgian, utility.

The issue of French control of Belgian industry has become highly sensitive since Renault's decision to close its Belgian car assembly plant with the loss of 3,100 jobs. The decision provoked outrage in Belgium and a mass protest in Brussels yesterday.

Proposals for a link-up between Suez and Lyonnaise were first made in 1995 when Mr Gérard Worms, then Suez chairman, was trying to ward off plans to create a holding company out of Suez, Banque Nationale de Paris and UAF, the insurance group.

BT/MCI favoured suitor for Portugal Telecom

By Nicholas Denton in London and Peter Wise in Lisbon

Concert, British Telecommunications' global alliance with MCI of the US, has emerged as Portugal Telecom's favoured suitor in its search for a foreign partner.

For BT, the link would fill one of the last gaps in its strategy on European telecoms deregulation.

Portugal Telecom is still considering bids for a stake of up to 5 per cent from GlobalOne, the group led by Deutsche Telekom; France Telecom; and AT&T-Unisource, the alliance led by the US long-distance carrier.

However, it is understood that Portugal Telecom has been in exclusive negotiations with Concert since last week. Discussions on the extent of BT's investment are continuing, but a decision is expected as early as this week.

BT would say only that it had talked to many international telecoms companies. Portugal Telecom, advised by Deutsche Morgan Grenfell, said it would decide on a partner by April 15.

Telecoms companies with ambitions to be regional or global providers are linking with local operators to help them attack European markets when telecoms liberalisation begins next year.

Typically, such partnerships involve the local partner distributing the international services offered by the large telecoms companies.

In countries expected to liberalise rapidly, BT is linking with new entrants - for example, Cegetel in France. But in other markets, such as Portugal's - where entry will remain restricted until 2000 - it is siding with incumbents.

In western Europe, BT lacks a significant partner only in Portugal, Spain and Belgium. Portugal Telecom has proposed reserving for its international partner a "symbolic" tranche, which may be as low as between 2 and 3 per cent, of an offering planned for September.

Portugal Telecom said last week it would choose a global alliance that would enhance its domestic services, protect and extend international business and complement its overseas investments.



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COMPANIES AND FINANCE: 10 YEARS OF FT / S&P WORLD INDICES

The FT/S&P Actuaries World Indices, launched just before the crash of 1987, have become a benchmark for cross-border investment, writes Philip Coggan

A turbulent 10 years for investors

The 10 years since the FT/S&P Actuaries World indices were launched have been turbulent but profitable for investors.

The indices were created to provide a new benchmark for the growing number of cross-border investors.

The removal of exchange controls which gradually followed the collapse of the Bretton Woods system and the free market reforms of Mr Ronald Reagan and Mrs Margaret Thatcher were encouraging institutions to look overseas.

From the outset the indices were a broadly-based benchmark, with about 2,400 securities drawn from 23 countries, representing some 70 per cent of the world's then market capitalisation. The indices were calculated in three separate currencies - the US dollar, sterling and the local unit - to allow investors around the world to measure their performance.

Today, the indices are owned by FTSE International (a joint venture between the Financial Times and the London Stock Exchange), Goldman Sachs and Standard & Poor's, and are compiled in association with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities was a co-founder of the indices.

The World Index Policy Committee, which meets quarterly, decides on the composition of the indices. To be included, countries must meet these criteria:

- Direct investment by non-

nationals must be permitted;

- Accurate and timely data must be available;

- There should be no exchange controls which prevent the repatriation of capital or dividends;

- There should be significant international investor interest;

- There must be adequate liquidity.

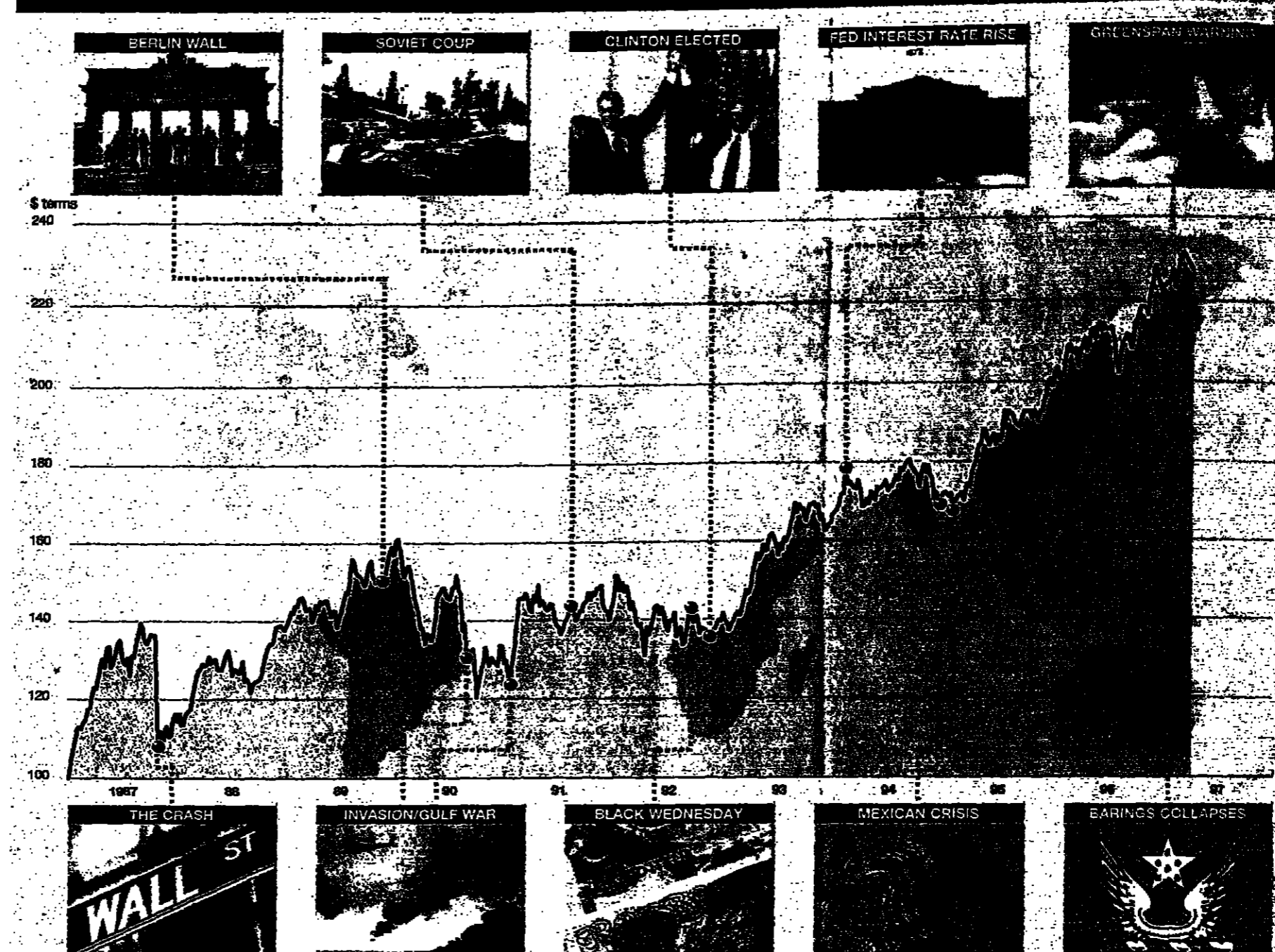
A number of other indices were launched at about the same time, but the FT/S&P Index (S&P became involved in 1995) and the Morgan Stanley Capital International indices are generally seen as the leaders.

Within seven months of the new indices' birth, equity markets suffered the Black Monday crash of October 19 1987, and the idea of international investment took a knock. One market after another succumbed to waves of selling pressure, indicating that international investment might not offer as many diversification benefits as had been thought.

From today's perspective, however, the 1987 crash seems merely a blip, both in terms of the long-term global bull market and the process of cross-border investment. The fall of the Berlin Wall in 1989 heralded the triumph of capitalism; how many strategists 10 years ago would have dreamed that Russia would be one of the best performing markets in 1996?

"There have been some really big changes over the past 10 years," says Mr Bill Smith, deputy chairman of Barclays Asset Management. "The role of emerging mar-

FT/S&P-A World Index: the first decade



Source: FTSE International

kets has really expanded. Ten years ago, US investors looking overseas were just considering Japan, Europe or the UK. Now they have options like Latin America, Russia and South Africa."

By 1993, the emerging market craze was at its height. The greater economic growth offered by emerging markets would, it was argued, lead to superior returns; the fact that such markets were not correlated with the developed bourses,

or with each other, reduced the risk.

The Mexican devaluation crisis of 1994 dented that thesis. The flow of international investment into these countries had made them correlated after all; when investors took fright at the Mexican news, they were as unselective in withdrawing their capital as they were in committing it. But after three poor years, the emerging markets are picking up again this year.

The big story over the past 10 years, however, has been the shift between the US and Japan. In 1987, it seemed that neither the Japanese economy nor its stock market would ever falter. US companies looked to Japanese counterparts for lessons in how to run their businesses; analysts argued that conventional valuation methods did not apply to the Tokyo stock market.

After the collapse of the bubble economy in Japan,

and the long Wall Street bull market, the roles are neatly reversed. American industry has regained confidence and believes it has the industries for the future, in areas such as software, entertainment and biotechnology; some analysts now argue that tried and trusted valuation techniques are irrelevant to the modern US market.

At the launch, Japan made up 32 per cent of the World Index, a proportion which was over 40 per cent by the

peak of the Tokyo bull market in 1989; now its weighting is just 15 per cent. "There was some blind buying of Japan in 1989 to match the index, which proved expensive to some investors," says Mr Smith, of Barclays.

Through all these changes, the level of the World Index has grown fairly steadily, with the help of a worldwide fall in inflation that has allowed interest rates to drop in most countries. Over

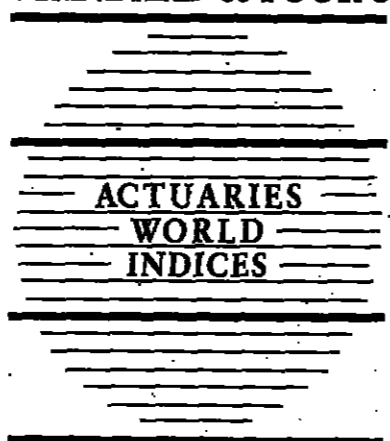
the decade, French franc three-month rates have fallen by nearly five percentage points, while UK and Japanese rates have dropped by three-and-a-half points.

Investors who bought the index at launch would almost have doubled their money in dollar terms (excluding dividends), in spite of the depressing effect of Japan, where share prices have halved since 1989.

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Capital Corp launches Clubs defence

By David Blackwell

Capital Corporation, operator of two of London's leading casinos, will tomorrow launch its defence document against the hostile bid from London Clubs, its larger rival.

Meanwhile Ladbroke, the hotel and betting group, said it was continuing to watch

the situation, but would make no comment on the possibility of a counter bid.

Analysts believe Ladbroke and other casino operators from outside the UK are very interested in Crockford and the Colony Club, the two casinos owned by Capital. The £190m paper offer by London Clubs could easily be topped by a cash offer

from a more powerful player in the market.

"Capital's management would be quite happy to sell at the right price," said one analyst. "They think the offer is far too low and I have some sympathy - how many opportunities arise to acquire two Mayfair casino licences?"

Capital's document will

include the 1996 full-year results, which were delayed earlier this month because London Clubs had not released its offer document.

Capital warned in January that it expected to report pre-tax profits between £8.5m and £9m, against consensus market forecasts of £13.5m. It added that the total dividend would be

maintained at 8p, reflecting the management's confidence in long-term prospects.

London Clubs, which operates 12 casinos in London and five outside the UK, is offering 47 of its shares for every 100 shares in Capital. Since the bid was launched on February 17, shares in London Clubs have risen

from 355p to 405p. Capital earlier this month rejected London Clubs' allegations that it had failed to deliver shareholder value.

It argues that since flotation in autumn 1993 its share price has increased from 90p to more than 200p and dividend pay-outs have been high. Its shares closed at 208p on Friday.

Co-op Retail rejects sale of CWS to Regan

By Jean Eaglesham

The attempt by Mr Andrew Regan, the entrepreneur, to take over parts of the UK co-operative movement suffered a setback yesterday when Co-operative Retail Services unequivocally rejected any sale to him.

Mr Regan heads Lanica Trust, which was considering a bid thought to be worth about £500m for the co-operative movement's non-food businesses, including the funeral parlours and travel agencies, through a vehicle called Gallio.

CRS, much the biggest corporate shareholder in the Co-operative Wholesale Society, gave its "full backing" to attempts by CWS to fend off Lanica.

CRS also said it was no longer prepared to hold talks with Mr Regan about a potential sale of some of its own assets.

CRS is the biggest of the 40 co-operative movements which have stakes in CWS. While it does not have a blocking vote on any CWS takeover, it does have a major influence.

CRS support will be particularly welcome to CWS since relationships between the two organisations have been strained after merger talks broke down in 1995.

But the move will not end the bid speculation, although CWS dismissed as "nonsense" weekend press reports that Mr Regan was

now targeting its subsidiary, the Co-operative Bank, and could be considering a bid of as much as £1.5bn to dismantle the entire co-operative movement. A CWS spokesman said the powerful non-executive board had ruled out selling assets to Mr Regan and that "the board's decision is final".

But Mr Regan could try to go over the board's heads and put an offer direct to the society's 500,000 members. Whether he could raise the funding for a £1.5bn bid is debatable. Lanica's vehicle for a potential bid, Gallio, has funding of £800,000 from Lanica and £2m from fund managers Schroders and Jupiter Asset Management and stockbroker Killik.

Lanica's shares were suspended last month after rumours of the potential Co-operative bid helped drive the price up to £19.50p, compared to a 12-month low of 116p. The trust, which is 46 per cent owned by Mr Regan, was acquired by him last November. Its market capitalisation soared to £82m before the shares were suspended, despite having a net asset value of just £3.2m.

This was partly due to Mr Regan's reputation. Aged just 31, he made his name in the City in 1994 when, as head of Hobson household goods, he bought the CWS food manufacturing business for £111m. He later sold out to Hilldown Holdings for £212m.

Newcastle hope to meet goal

By Simon Kuper

Newcastle United's stock offer this week is likely to be more successful than the football club's previous attempt to sell shares.

The club's advisers expect to meet their target of raising £47.4m by Friday, when the offer to institutions closes. The retail offer, mainly for Newcastle fans, closes the previous day.

One of Newcastle's corporate advisers said he was "very confident" the share price would be near the top of the 120p-135p range. That would value the company at close to £193m, making it the third biggest football club on the stock market after Manchester United and Chelsea.

Seven years ago, when Newcastle tried to raise £2m through a subscription offer, it managed only £300,000. There had been some doubts about the issue after the prospectus revealed that Sir John Hall, the club's owner,



Faustino Asprilla is spearheading Newcastle United's European ambitions

would remain as chairman of the football club but would not sit on the board of the holding company, although he plans to retain 57 per cent of the shares.

However, one football sector analyst said Newcastle was unlikely to suffer from the recent slide in soccer shares, since it was one of the English game's biggest names and was trying to

raise a comparatively modest sum. With NatWest Markets, Deutsche Morgan Grenfell and Salomon Brothers all acting for Newcastle, "weight of demand over supply is going to ensure that the issue is a success".

The Premier League club's chances of lucrative European games were buoyed by a 4-0 victory over Coventry on Saturday.

Newcastle's sales, £4.1m in 1990, soared to £24.5m for the six months to January 30. The club made interim operating profits of £7.6m by reducing transfer spending.

Newcastle said it planned to use £21m of the proceeds from the float to cut debt to £15m.

The shares will be priced next Monday, with trading to start on April 2.

Gallagher appoints demerger board

By Tim Burt

Gallagher, the UK's largest tobacco company, yesterday named a new board to oversee its demerger from American Brands, the US consumer products group.

The company, which is expected to have a market capitalisation of more than £2bn, said its existing senior management team would continue to run the group,

led by Mr Peter Wilson as chairman and chief executive and Mr Philip Burchell as finance director.

Five new non-executive directors have also been appointed to the board, including Mr Graham Hearne, chairman of Enterprise Oil, who will be non-executive deputy chairman.

The others are Mr Richard Brooke, group finance director at British Sky Broadcast-

ing; Mr John Gildersleeve, commercial and trading director of Tesco; Mr Tom Hays, chairman and chief executive of American Brands; and Mr Tony Portno, a director at Bass.

Gallagher said yesterday that the board appointments would become effective shortly before the demerger, which is subject to clearance from the US tax authorities and shareholder approval.

In the third quarter of last year, Gallagher saw a 0.5 per cent decline in volume but lifted operating profits 4.6 per cent to £180.2m (£100.7m) after a shift in export mix towards higher-margin European markets, cost-cutting, and productivity. Its share of the shrinking UK market, where its brands include Silk Cut and Benson and Hedges, was slightly ahead at 39.2 per cent (39 per cent).

NEWS DIGEST

Williams expects Chubb backing

Shareholders in Williams Holdings are today expected to give their backing to the conglomerate's £1.3bn (£2.06bn) bid for Chubb Security.

Proxy votes sent by institutions to the EGM in Derby to approve the offer are expected to give full backing to the board. Presentations by Williams' chief executive, Mr Roger Carr, appear to have reversed the negative sentiment that caused its shares to fall 11 per cent when the agreed offer was announced on St Valentine's Day.

From a low of 29p, the shares have recovered to close on Friday at 32p, only 9p below their level before the deal. The price recovery reflects approval in several analysts' notes after reassessing the impact on Williams' earnings.

"Initial reaction to the Chubb bid was understandable but overdone," said Mr Colin Porter of broker Albert & Sharp. The logic of the deal is "irrefutable".

Buying Chubb security will make Williams the world's largest manufacturer and supplier of fire protection and security equipment.

It is also expected to enable Williams to shake off the "conglomerate" tag. If the deal is completed, it is expected to be re-classified from the poorly performing diversified industrial sector into support services. *Ross Theman*

Medusa issues pathfinder

Medusa Petroleum, a newly formed oil exploration and production company, is to issue its pathfinder prospectus today, in which it will reveal deepening pre-tax losses of £67,000 last year as a result of an increase in exploration costs from £4,000 to £46,000.

The loss compares with £7,000 for the year to June 30 in 1995, and was struck from reduced sales of £33,000 (£41,000) due to a fall in consultancy fees.

The company - created through the merger of Medusa Oil and Medusa Gas and two Czech subsidiaries of Tullow Oil - is seeking to raise about £2m through a listing on the Alternative Investment Market, which it will use to fund further developments in eastern and central Europe. Henderson Crosthwaite are the nominated advisers and brokers to the placing.

Mr Michael Seymour, managing director, said the company would start producing gas during 1996 if wells were successfully drilled in the Czech Republic and Spain this year.

Its main areas of exploration are Poland and the Czech Republic, where it has a "close relationship" with MND, a Czech oil and gas company which operates many of the republic's oilfields. *Jane Martinson*

IMI in £10m bolt-on

IMI, the engineering group, has bought the Thermotec industrial valves division of the Switzerland-based Sulzer Group for £10m cash with a further payment of £3m dependent on profits.

■ ALBA is to pay £3m cash for Roadstar Holdings, a loss-making Swiss audio and video entertainment maker with annual sales of £40m.

■ ASSOCIATED BRITISH PORTS has been nominated as the preferred bidder for the Port of Norwich, for which ABP has bid £24.4m.

■ ICI has bought a 40 per cent stake in a paints company near Warsaw, Poland which it intends expanding to 75 per cent over the next three years.

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COMPANIES AND FINANCE: 10 YEARS OF FT / S&P WORLD INDICES

■ The best performer — By Michael Moran

Mexico gets it right

By any standards, Mexico has had a remarkable, if volatile, decade.

It has been by far the best-performing market in the FT/S&P Actuaries World indices, up 1,270 per cent in dollar terms. Measured in the local currency, it has soared a staggering 11,813 per cent.

The Mexican exchange has a long history, stretching back to 1884 when the few listed shares were mainly in the financial, industrial and mining sectors.

Mr Gray Newman, chief economist at HSBC Mexico City, says that, when he arrived in 1986, the country was a classic turnaround story. It had lived through the traumas of oil boom and bust and the government was turning its attention to taming debt and the currency.

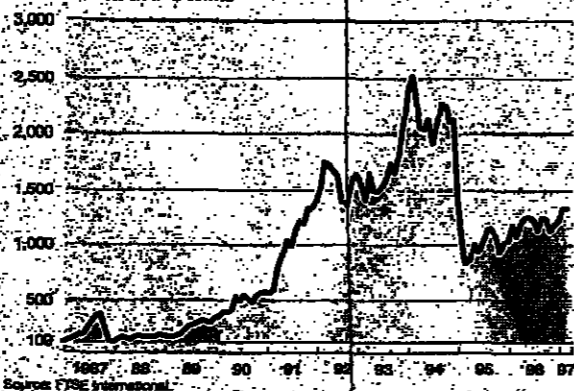
The market made an auspicious enough start to 1987 with a sharp rise as the banks, which had been nationalised in 1982, began to issue special stock certificates, a forerunner to the privatisation that was to come later. But in October, political worries, capped by Wall Street's crash, took the market back virtually to where it began the year.

By 1991, full-blown privatisation was at the top of the agenda as the government sold off the telecommunications utility, Telefonos de Mexico (Telcel). Its ADRs quickly became one of the most-traded issues on Wall Street, and, says one analyst, "in the US, it seemed like everybody's aunt had bought Telcel." The question on everybody's lips was what to buy next in Mexico.

At the same time, efforts were being made to improve the infrastructure of the capital market and some serious analytical research on companies and sectors was beginning to appear.

Mexico

FT/S&P-A Index in \$ terms



Foreign investors had dabbled in the market for years — the first Mexico Fund was launched in 1981 — but by the start of the 1990s, some serious US money was beginning to flow in. Equally significant was a flow of funds from expatriate Mexicans, anxious to signal a vote of confidence to developments in their home country.

By 1993 it was hard not to make money in the emerging markets, and by early February of 1994 Mexico had scored 2,347 per cent in dollar terms since the beginning of 1987.

Indeed, says Ms Elizabeth Morrissey at Kleinman International, the Washington-based independent consultants on emerging markets, during 1993 and in the early part of 1994 some European funds had moved Mexico out of their emerging market portfolios and instead had grouped it with their other North American holdings.

Inevitably, the party could not last and Mexico, like its peers, turned south as US interest rates went up during 1994. Worse, however, was to come with Mexico's currency crisis late that year when the market plunged in response to the peso devaluation

and subsequent flotation. The shock waves were felt in emerging markets around the world while for Mexico itself the result was a loss in dollar terms of more than 40 per cent in market value.

A second currency crisis in the final quarter of 1995 took another toll, but last year brought some semblance of a return of confidence by US investors, looking for alternatives to the record high valuations in the US equity markets.

A survey conducted in recent weeks by Broadgate Consultants, a US corporate and markets communications concern, questioned 30 large institutional investors on their attitudes to Mexico.

Ninety per cent said that their opinion of Mexican equities had improved substantially from a year ago. Sixty per cent also thought that the market, trading on a price/earnings ratio of 14.5 times, was undervalued.

Clubs, however remain on the horizon. For many of the fund managers said that uncertainty over the outcome of Mexican federal elections, due in the summer, could prompt some of them to put their investment plan on hold for the time being.

■ Sectors — By William Cochrane

US dominates outperformance rankings

The relative outperformance of US companies and US stocks, with very strong earnings growth enhanced by the expansion of price-earnings multiples, has had a phenomenal effect on global sector performance over the past decade.

The top five companies in business services and computer software, which was the best-performing sector with a gain of 447 per cent in dollar terms over the period, are all US-based and account for 60 per cent of the sector's market weight. Microsoft alone takes 37 per cent.

This sector's performance gives credence to the theory that the leading edge of technology can offer high

rewards. So what, the layman might ask, are beverages and tobacco manufacturers doing in second position? Here, four US companies are in the top five by weight, including Coca-Cola, with 24.7 per cent, and Philip Morris, with 18.4 per cent.

Mr Jeffrey Weingarten, global strategist at Goldman Sachs in London, was the broker's representative at the original setting-up meetings for the world indices. He has also specialised in beverages and tobacco.

"Coca-Cola," says Mr Weingarten, "is arguably one of the best consumer products companies in the world." It saw its potential market double when the con-

sumer markets of India, Russia and China were opened up. In addition, the management did something to improve its returns on that volume, and it has been rewarded by enormous growth in earnings, and in its own market value.

With Philip Morris, whose main business is still tobacco, the accent was less on volume growth and more on profit margins. Increases in profitability have greatly exceeded increases in volume growth, and the persistence of that earnings growth brought the long-term share price gain.

Tobacco damage suits, says Mr Weingarten, have done nothing substantially

to alter the volume of growth, although they may have affected the share price valuation now and again.

The US influence is a little less marked in the health and personal care sector, where Novartis and Glaxo Wellcome, John Merck, Johnson & Johnson and Bristol Myers, but it accounts for all of the top five in aerospace and defence, with an aggregate weighting among those five of 88 per cent.

Among the laggards, the corporate content is more mixed. The wholesale division, which takes in the big Japanese trading houses, is the second worst performer with a 43.8 per cent 10 year gain, but a loss of 38 per cent

relative to the world index. Japanese companies, in general terms, have experienced a sharp decline in earnings during the 1990s, and a similarly sharp shrinkage in their p/e multiples. The country index fell 41 per cent between January 1, 1990 and the start of this month.

As it happens, there are four US leaders among the top five financial institutional and service companies, which show a relative 10-year fall of 36 per cent.

Mr Weingarten says this reflects earlier problems in the financial sector. He adds that, after substantial restructuring, many of the companies concerned have done much better recently.

■ Use of indices — By Norma Cohen

How the global yardsticks measure up

Fund managers, it is said, live and die by indices.

One group — passive managers — contains those whose product is a portfolio of securities whose performance is designed to mimic that of a specific index. This business has grown substantially in the past 10 years because so few active managers can outperform.

Then there are the active managers, whose job is to beat some pre-determined index and earn performance-related fees for above-average returns.

For these, the selection of the underlying index is a crucial concern. If two indices are constructed differently, they will have different annualised rates of

return. With fees based on outperforming a set benchmark, choosing the wrong index could cost money.

A casual look at the components of the two leading world indices shows how they can produce different results, even when the same period is being measured.

The FT/S&P strips out the bottom 5 per cent of each underlying market being measured, then covers 85 per cent of the remainder. Its components cover 2,400 stocks in 28 different markets.

The Morgan Stanley Capital International Index covers only 60 per cent of the underlying market but does so in 47 markets and 2,600 stocks. Missing from the FT/

S&P index, for instance, are measurements of markets in Argentina, Pakistan, Israel and Greece.

MSCI says it screens its components to take account of cross-ownership, a particular feature of markets in places such as Japan and Italy, but it and FT/S&P have broadly similar criteria for the percentage of "free float" — shares available for purchase in public markets, required for inclusion. The MSCI, however, includes a company's unlisted shares, a feature that could allow the inclusion of shares which investors cannot buy.

Thus, with two different indices designed to measure the same thing, how do investors and measurers

decide which to use? The answer, investment professionals say, is probably more a function of brand name than any other factor.

At Barclays Global Investors, the world's largest provider of indexed fund management, both the MSCI World Index and the FT/S&P World Index are prominently used. "We tend to be client-driven," says Mr Philip Nash, principal for business development. "Nine times out of 10 the client will specify the index to be followed." US-based Morgan Stanley predominates among US-based clients, to whom it is a household name. "In the UK, the FT series is more widely known."

Norwich Union, the UK

insurer, has chosen the FT/S&P as the index to follow for its Norwich Global Tracking Personal Equity Plan, a product sold widely in the UK.

Mr Philip Butler, head of research at Combined Actuarial Performance Services (CAPS), the performance measurement agency, agrees that comfort with a particular brand name appears the most important factor in deciding which index to follow. "The FTSE became the recognised standard in the UK," he says. "Thus it was the FT/S&P (ex-UK) that became the benchmark preferred by pension fund trustees seeking to monitor the performance of their international share portfolios."

■ The weakest performers — By Jeffrey Brown

'Tiger's tiger' is tamed

Ten years on, Thailand and Italy are the undisputed laggards of the FT/S&P Actuaries world indices.

Thailand is overall backmarker in dollar terms with a decline of 22.2 per cent. But since it is a relative newcomer to the world indices, the wooden spoon on a full 10-year view goes to Italy, which in dollar terms has fallen 12.7 per cent.

Thailand is a story of riches turned to rags with the stock market storming to the front of the performance charts before its inclusion in the world indices, only to stumble badly on joining the FT/S&P stable. The Milan bourse has had a less dramatic decade, performing steadily throughout, and eventually losing heavily on currency factors.

Italian shares traded within a narrow range in the years to 1992.

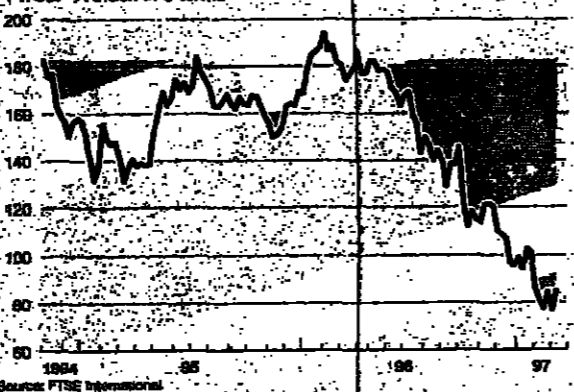
Over the period, the bourse rarely fully reflected the size or dynamism of the Italian economy, with technical supports limited. Mutual funds had been successfully introduced, but competition from the debt markets was fierce and corporate pension companies remain an unknown entity.

With a tight shareholding structure among the top companies and free share flows for the most part at a minimum, liquidity was always a problem, and foreign funds tended to steer clear. The outsider's view of Italian equities was often that the market was manipulative and difficult to understand.

The Berlusconi rally, which began in the autumn of 1992 and lasted roughly 18 months, provided a purple patch, with the index broadly doubling in value. On occasions daily turnover in Milan rose close to \$1.5bn. But the collapse of the Ber-

Thailand

FT/S&P-A Index in \$ terms



lusconi coalition government took its toll. A period of dogged underperformance followed which this year's EMU convergence rally and slide for bond yields — at 7 per cent 10-year bond returns are virtually half their 1995 peak — has only partly offset.

But the final and most telling straw has been the lira's weakness in recent years. Against the dollar, it has slithered from slightly more than 1,000 in 1982 to about 1,700 today.

As the leading tiger economy, Thailand stormed ahead in stock market terms in the first half of the FT/S&P decade. With gross domestic product growing more than 10 per cent a year on average, helped by a rapid build up of foreign (mostly Japanese) manufacturing, the local indices just about quadrupled up to the end of 1993.

It was a rampant performance and one that no foreign fund manager worth his salt could afford to ignore. The opportunities for profitable share selection were legion. Siam Cement, for example, rocketed from an effective Bt15 to Bt1,800. Thailand was the "Tiger's

Tiger and riding for a fall. Really reasserted itself in the shape of a property collapse and swinging losses on bid debts for the bank and finance sectors. The Thai property development index went from 100 to 2,250 between 1989 and 1994. It now stands at about 350.

The run on business sentiment since last November's inconclusive election has few recent parallels. There have been persistent worries about a devaluation of the baht. The trade account remains deeply troubled, partly as a result of the high yen cost of importing component for large sections of Thailand's newly installed light industry.

"Business sentiment has fallen off a cliff," says Mr Rory Leader of AsiaEquity. He sees a continuing round of financial sector mergers and bankruptcies, says there is less bad news to come.

Yes as an old Asia hand, Mr Leader is far from demoralised. He claims to see light at the end of the tunnel. "The key lies with the government. It is pushing through spending cuts and financial reform is known to be in the wings."



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The Financial Times plans to publish a Survey on

Portugal Banking & Finance

on Wednesday, April 16

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Private funds shoulder Latin American risk

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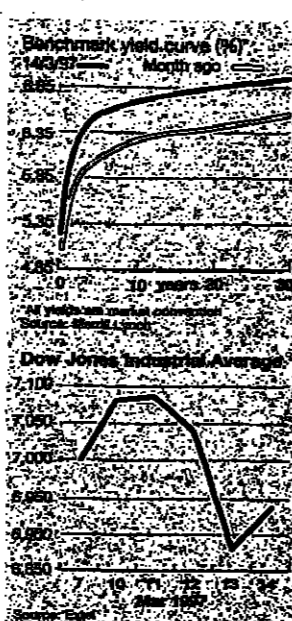
MARKETS: This Week

NEW YORK By Tracy Cogan

The US bond market is likely to remain on red alert this week, as the March 25 FOMC meeting could be the occasion for a rise in interest rates.

Among this week's economic data, which will again be scrutinised for clues on which way Federal Reserve officials will decide to jump, February housing starts, due on Tuesday, are expected to rise to 1.42m, from 1.35m the previous month, according to MMS International. Analysts at CIBC Wood Gundy argue such a jump is "much too strong to be consistent with the maintenance of a non-inflationary environment". However, the consumer price index for February "will likely show a further deceleration in both the overall and the core CPI", they add. CPI is expected to be up 0.2 per cent.

Economists at Salomon Brothers expect the Fed to raise interest rates a quarter of a point at next week's meeting. "Following February's outsized gains in employment, [last] week's reports of dramatic growth in retail sales and a further decline in jobless claims have strengthened the case for a Fed tightening," according to Mr Robert DiClemente of Salomon.



The continuing rise of the US dollar is, however, an argument against a rate increase, which would provide further support for the climb of the currency, already beginning to hurt US competitiveness, according to some analysts.

In the stock market, meanwhile, the revamping of the Dow Jones Industrial Average of 30 stocks to better reflect the evolving US economy failed to provide the market with any fresh impetus.

LONDON By Philip Cogan

The UK stock market seems to have a lot of momentum behind it.

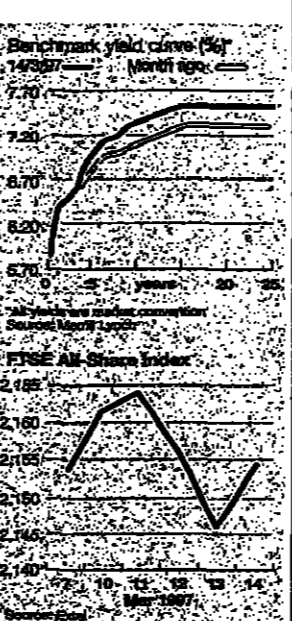
Last Thursday's 160 point fall in the Dow Jones Industrial Average checked the progress of the FTSE 100 index but did not halt it altogether. Footsie rebounded from an initial 46 point loss to a 26 point gain on Friday.

The flow of personal equity plan money into the market as the end of the tax year approaches, and the strength of institutional cashflow, have given shares plenty of support. Gilt has also been fairly helpful, with the yield ratio still in reasonable territory, at about 2.1.

The imminence of the general election seems not to have disturbed either market although the announcement of the poll date, which could come as soon as today, might burn the issue into investors' minds.

The economic news of the week, notably retail sales, retail prices, unemployment and average earnings, will give a snapshot of the position of the UK economy, but interest rates are obviously on hold until after the likely election date of May 1.

But traders will have plenty to keep them busy in



the meantime with the results season still in full swing.

A host of companies is due to report this week, including Pearson (which owns the Financial Times), Argos (dropped from the FTSE 100 last week), Kingfisher, Vickers and Wolsley.

Once again, analysts will be looking for evidence of the effect of sterling's strength, one of the main sources of corporate concern in the results season to date.

FRANKFURT By Sarah Althaus

Weakness in chemicals, after the publication of disappointing results for last year, and fluctuations on Wall Street provided for a highly volatile week on the Frankfurt stock market.

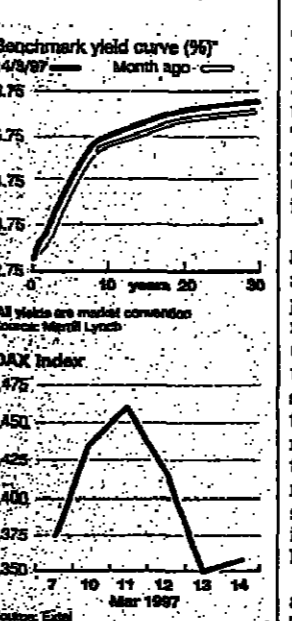
Analysts were particularly unimpressed by news from Hoechst, the leading chemical company, that it was no longer planning a separate listing for its HMR pharmaceuticals unit, a move which had been seen as an important part of the German group's revival.

Options are divided on whether the market is now heading for a long-awaited correction after its record streak in recent weeks, or whether the DAX blue chip index, which managed to scrape above 3,400 by the end of the week, is set for further gains in the medium term.

Vereinsbank Research in Munich forecasts that, even in the case of a near-term correction, the DAX should reach 3,700 over the next six months.

Several important statistics are due this week, notably February's money supply and the business sentiment index of the Ifo economic research institute.

Economists expect the Ifo index to show a further increase, fuelled by improved export



expectations on the back of the weaker D-Mark.

At the same time, M3 data is expected to reveal continued strong growth, quashing any remaining speculation about a cut in official interest rates at the Bundesbank's council meeting on Thursday.

J.P. Morgan expects M3 to have grown at an annualised rate of 11.0 per cent last month, compared with 11.7 per cent in January, well above the central bank's target range.

TOKYO By Bethan Hutton

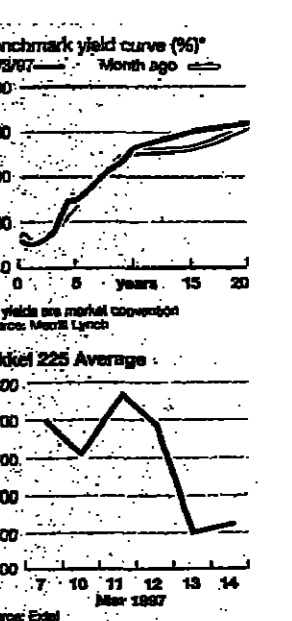
The Tokyo stock market went through a bad patch last week, but analysts say this week could be better.

The Nikkei 225 average lost 278.1 points over the course of the week, after zigzagging in a fairly narrow range.

Scandals affecting two big names - Nomura Securities and Ajinomoto, the food producer - depressed the market, with other companies rumored to be under investigation for similar links with *sokaiya*, the corporate racketeers who make a living by threatening to disrupt shareholder meetings. But by Friday the sectors and companies involved had started to bounce back.

Mr Jason James, strategist at HSBC James Capel in Tokyo, expects the mood this week to be a little more cheerful as some of the other negative seasonal influences on the market should be lifting.

The approaching end of the financial year had brought a rash of selling by Tokai - special investment funds - which have been divesting the shipping and construction company stocks they bought in the late 1980s. Those sales should now have been completed, and the usual end-of-year profit-taking sales and cross-trades by financial



institutions and large companies should also be drying up this week.

Downward pressure should ease without those factors, though another consequence may also be lower market volume.

As expected, fourth quarter GDP figures gave a rosy picture of the economy last week, but were ignored by the bond market, which continued to rise. Yields on the key Japanese government bond set new record lows during the week.

LME votes on board revamp

The London Metal Exchange will today hold an extraordinary general meeting to vote on changes to the structure of the board in the wake of the Sumitomo copper-trading scandal.

The reform of the LME comes after the Securities and Investments Board, the City of London's chief financial watchdog, called for substantial changes in its operations.

The SIB suggested that the exchange's board be reorganised so conflicts of interest are clearly avoided and the LME is run in the interests of a full range of users and members. It said most of the powers were held by too small a group of members - "ring-dealers".

Today's changes, if passed, would swing the majority away from the ring dealing members.

Any changes to the LME's governance structure have to be agreed by all exchange members.

The LME invited the SIB to review its operations after Sumitomo Corporation, the Japanese trading house, claimed in June that its senior copper trader, Mr Yasuo Hamanaka, had lost \$2.6bn in unauthorised dealings.

The LME dominates world metals trading with 85 per cent of the world's copper futures and 100 per cent in most other metals.

In its report in December, the SIB also called for the

LME executive to be given more authority, staff and resources.

The watchdog also wanted the exchange to provide more information about warehouse stocks, options trading and prices reached between members dealing outside the formal trading area.

Today's meeting deals solely with board changes and does not address any of the SIB's other areas of concern.

However, Mr David King, LME chief executive, has said that more information about warehouse stocks could be provided as soon as next April, and possibly daily rather than the current twice a week.

OTHER MARKETS Compiled by Jeffrey Brown

European bourses rallied on Friday after a week of volatile trading. Wednesday, when US inflation for February emerged, was seen as the next critical diary date for US interest rate watchers.

PARIS

Consolidation was the least uncomfortable word that French brokers could come up with after a week in which the leading CAC-40 index had punched through 2,700 to a new all-time high on Monday only to tumble back below 2,600 three days later.

Dealers pointed to the low level of volume and the absence of heavy selling. Wall Street cannot be ignored but we feel that the market has already priced in a 25 basis points rise for US rates," said one broker.

There was a solid recovery on Friday.

Wall Street trends remain the dominant influence, but with seven CAC-40 constituent companies due to report results over the next few days there should be plenty of domestic diversions.

Danone sets the ball rolling today and the week progresses with Alcatel Alsthom, Canal Plus and Michelin tomorrow and Pernod Ricard on Wednesday. Renault and LVMH report on Thursday.

Renault's recent volatile share price performance reflects all manner of uncertainty. According to some brokers, the group's losses for 1996 could well approach FF6bn.

The betting among some major analysts is that the management will attempt to cushion the bad results with

more information on the restructuring front.

In contrast, tyre group Michelin is widely expected to turn in bumper numbers. Some broker forecasts for net profits range up to FF3.7bn (growth of 30 per cent) owing to reduced tyre capacity worldwide and a commensurate improvement in operating margins.

AMSTERDAM

The Dutch bourse also faces a busy week for corporate statements. Aegon and VNU are the big ones, and both are expected to turn in steady earnings progress. And there looks to be plenty of news support from second liners.

Most analysts have pencilled in a steep decline in the Hang Seng index as an attractive entry level, says that lack of

reports on Tuesday. Shipping leader Nedlloyd, which comes two days later, has been a firm market lately because of the possibility of a strong trading statement plus positive news about the group's links with P&O of the UK.

HONG KONG

The bearish note that descended on Hong Kong at the end of last week, after the shakeout on Wall Street, is expected to continue with a number of brokerages trimming their weightings.

Goldman Sachs, which has a neutral weighting on Hong Kong, sees the market consolidating in the face of limited new developments. The US investment bank, which pinpointed 12,500 on the Hang Seng index as an attractive entry level, says that lack of

demand and an anticipated unexciting corporate reporting season - with results coming in close to expectations - allied to the potential threat of a rise in interest rates, will keep the lid on share prices.

The benchmark Hang Seng index ended down 1.4 per cent at 12,736.53 on Friday. Any rise in interest rates in the US would be imported to Hong Kong via the currency peg, which has spooked investors and hurt prices in the interest-rate sensitive sector of property. At the same time, last week's residential transaction data fuelled fears that the government will be forced to impose anti-speculation measures.

Support for the index is seen at 12,600, while resistance is next expected to kick in at 13,000.

CURRENCIES By Simon Kuper

Pause in dollar surge leaves traders uncertain

The foreign exchange market seems to have lost its way in recent days, with the dollar surge of the last few months stalling. For months traders have bought dollars and sterling and sold yen and D-Marks. But in recent days that run has ended, as the Japanese and German economies have begun showing signs of life.

So traders are looking for events to point them in a

new direction. The key scheduled event is the Federal Open Market committee meeting beginning on March 25. Economists are unsure whether the Fed will raise rates: the US economy is on a roll, but price pressures appear subdued. US consumer price inflation figures due on Wednesday are forecast fairly tame.

The market may get a clue to the FOMC's intentions

from Mr Alan Greenspan, Fed. He testifies to the House Banking committee on capital markets on Wednesday, and to the Joint Economic Committee on Fed policy on Thursday.

US trade figures for January may also move the market. Washington has recently become exercised about its growing trade deficit with Japan, which has been prompted by the dol-

lar's surge against the yen. If the trade data on Thursday show another sharp rise in the deficit, that could hit the dollar. Mr Carl Weinberg, chief economist at High Frequency Economics in New York, notes that the deficit has risen every January for the last seven years.

The key German data will be the Ifo index of business confidence for western Germany and the M3 money

supply figures, both for February. The Bundesbank council meets on Thursday, but few economists expect an interest rate rise.

Today European Union finance ministers meet in Brussels.

Mr John Major, the UK prime minister, is likely to announce the date of the general election today, and is widely expected to choose May 1.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, March 14, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

	£ STG	US \$	D-MARK	YEN	£ STG	US \$	D-MARK	YEN	£ STG	US \$	D-MARK	YEN	
	£ 100	US \$ 100	DM 100	¥ 100	£ 100	US \$ 100	DM 100	¥ 100	£ 100	US \$ 100	DM 100	¥ 100	
Algeria (Algeria)	780.27	4750.00	2785.27	3843.74	Ghana (Ghana)	427.817	267.236	157.288	214.594	Poland (Poland)	54.1038	40.0768	32.6888
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II SWITZERLAND

THE ECONOMY • by Frances Williams

Hopes rest on weakening franc

A recovery led by exports may not be enough to bring down high unemployment

As Switzerland enters its seventh year of economic stagnation with unemployment at record levels, there is still little sign of a turn-around in activity... and every prospect that, on the jobs front, things will continue to worsen.

Most economic forecasters, including the government's advisory Economic Affairs Committee, are predicting growth in gross domestic product of about 0.5 per cent this year after a drop of 0.7 per cent in 1996.

For 1998, the consensus hovers around 1.5 to 2 per cent - barely matching Switzerland's long-term productivity growth - with the result that employment is likely to continue falling. A quarter of a million jobs have been lost since 1991.

Most hopes are pinned on the Swiss franc's decline from its heady peaks in late 1996, which should boost exports, improve industrial competitiveness, and help the hard-pressed tourist sector. Since the beginning of last year, the franc has lost a quarter of its value against the US dollar and

weakened against European currencies such as the French franc and the D-Mark.

But while the drop in the franc will help exporters' margins and ease cost pressures, export growth depends crucially on demand in the main markets. Swiss industry is thus looking with some anxiety at Europe, where two-thirds of the country's exports go.

Though most forecasters are predicting an acceleration of economic activity this year, many European Union members are operating tight budget policies to meet the Maastricht criteria for a single currency.

In particular, Germany, which alone takes a quarter of Swiss merchandise exports, is moving only slowly out of recession and has not seen the investment surge that benefited Swiss machinery makers in previous upturns.

Mr Hans Kaufmann, head of research at Bank Julius Baer in Zurich, has other reasons for fearing that the recent weakness of the Swiss franc may not bring about significant economic recovery. He argues that between 1989 and 1996, when the Swiss franc soared by nearly one-fifth on world currency markets, Switzerland's biggest companies responded with a massive transfer of production and jobs abroad.

Overall, between 1990 and 1996 Swiss companies bought or created 300,000 jobs outside Switzerland, nearly half of them in emerging markets in eastern Europe, Asia and Latin America, while cutting around 40,000 at home.

Mr Kaufmann calculates that 80 per cent of the activities of the 108 listed Swiss companies analysed by Bank Baer are now located outside Switzerland, and supply chains have shifted with them. "It must be assumed that many jobs at Swiss suppliers have been irrevocably lost," he says.

Since hopes for economic revival are pinned on exports, this is a worrying scenario. Domestic demand is expected to remain feeble. Consumer confidence is at a low ebb, depressed by the stagnation in real household incomes over the past few years and fears about job security.

Unemployment, which topped 200,000 in January to stand at an unprecedented 5.7 per cent of the workforce, is predicted to go on rising this year and perhaps beyond as company restructuring and bankruptcies continue to bite. Even though the unemployment rate is only half that in France or Germany, it is still shocking for a country that enjoyed full employment for more than four decades.

Government spending, too, is on a tight rein as central and local authorities seek to trim persistent deficits. In practice, Switzerland already meets the Maastricht criteria for membership of European monetary union, with a general government deficit of under 3 per cent of GDP.

But, alarmed by projections showing sizeable deficits well into the future and mounting government debt, Mr Kaspar Villiger, the Swiss finance minister, plans to balance the federal budget by the year 2001.

Meanwhile, the construction sector which has traditionally been a growth motor for the Swiss economy is in poor shape as the consequences of the 1990s property boom continue to be apparent in empty homes and unlet offices and factories.

A surge in investment in plant and equipment, as companies have rationalised and upgraded operations, slowed in 1996 and will probably do so again this year.

Not everyone believes the picture is wholly bleak. Mr Bernard Lambert, of Pictet, the Geneva private bank, says the ingredients are falling into place for a recovery in the coming months which could result in growth of as much as 2.5 per cent in 1998.

He cites the weaker franc, low interest rates and low inflation, as well as a more relaxed monetary policy and the possibility of a modest fiscal stimulus this year.

Virtually stable prices, with underlying inflation running at under 1 per cent, have encouraged the Swiss National Bank to loosen its previously tight money policies. Last September, the discount rate was cut to an historic low of 1 per cent, and despite above-target monetary growth the SNB says it will not raise rates until the economy shows clear signs of recovery.

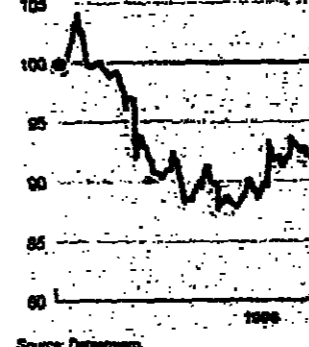
This policy has been reinforced by the bank's concern to head off possible upward pressure on the franc from uncertainties surrounding the single European currency, one cause of its damaging surge in 1995.

At the same time, the government has proposed a cautious economic stimulus plan to increase investment spending by SFR500m this year. Ministers hope to spark extra local authority investment that will boost total construction spending to around SFR2bn. The plan, criticised as too timid by trade unions and the political left, will be discussed by parliament next month.

BANKING • by William Hall

Banks trail the market

Swiss banking sector relative to SMI



Big three lick their wounds

Bankers continue to be worried by allegations over the country's war-time role

Switzerland's banks, long regarded as the central pillar of the country's economy, have just finished one of the toughest years in their history. The big three banks - Union Bank of Switzerland, Credit Suisse, and Swiss Bank Corporation - have all reported losses for the first time in living memory.

The share prices of all three underperformed the stock market in 1996, which is perhaps no great surprise given that they have just posted combined 1996 losses of around SFR5bn. The big three have long assumed an importance out of all proportion to the size of their home country. Until the recent dip in the value of the Swiss franc, Union Bank of Switzerland had a bigger stock market capitalisation than Deutsche Bank - the market leader in a country with a population more than 10 times the size of Switzerland's.

The strength of the Swiss banks owes everything to the country's importance as the world's biggest private banking centre. Swiss bank secrecy laws are less watertight than they once were, anonymous numbered bank accounts are a myth, and Swiss investigators are more diligent than they once were in hunting down illegal money-laundering operations. Switzerland still attracts far more money than it perhaps deserves, however, and this is why the big three banks have become so concerned about the damage to their reputation caused by their war-time role in dealing with Nazi Germany and the bank accounts of Holocaust victims.

When Union Bank of Switzerland reported in January that it had accidentally shredded some historical files dating back to the second world war, it led to an impression overseas that the big Swiss banks were hurriedly dumping any incriminating evidence before the official investigators arrived. However, mistaken these impressions, they have compromised the reputation of the Swiss banks in a fiercely competitive service business where their good name is one of the few ways they can differentiate themselves from the competition.

Concern about their image helps explain why the big three have been the driving force behind the establishment of the SFR265m special fund for Holocaust survivors. They have the most to lose if their international custom-

ers start deserting them. Threats of partial boycotts of their US activities are unlikely to come to anything, but they are being seized upon by their competitors to win business from the Swiss banks.

Strip out the international business, and the big three look rather unhealthy. Credit Suisse lost SFR650m on its domestic Swiss banking business in 1996, and the reason all three are in the red is because of the need to take massive extra provisions on their domestic loan portfolios. With luck, the worst may be over in the domestic Swiss market, but there is no way that it will ever be able to reproduce the growth opportunities in international banking.

The fortunes of the big three Swiss banks are more tied to international business than virtually all of their competitors. The vast bulk of their workforce is still located in Switzerland, but it is clear that the centre of gravity is moving away from Zurich and Basel, to London and New York. Credit Suisse's new chief financial officer is an American; Swiss Bank Corporation runs its global investment banking business from London; and UBS has just shifted the management of its non-Swiss European business from Zurich to London. All three banks are undergoing big changes as a new generation of chief executives - who have more international backgrounds than their predecessors - take over.

The domestic branch networks of all three banks are being drastically overhauled. Credit Suisse is cutting its domestic outlets by one-third and SBC by a quarter. All want to reduce the size of their workforce, but this is more easily said than done. Both UBS and Credit Suisse have reported increases in the size of their worldwide staff at the end of 1996.

Meanwhile, UBS and Credit Suisse are rebranding their images. The old German-speaking titles of Schweizerische Bankgesellschaft (SBC) and Schweizerische Kreditanstalt have been consigned to the dustbin and are being replaced by UBS and Credit Suisse. Although the problems of the big three have dominated the headlines over the past 12 months, they should not be allowed to overshadow the performance of the rest of the Swiss banks. The private banks in both Geneva and Zurich, unaffected by the serious domestic credit problems of their big rivals, have flourished over the last year. The rise in world stock markets has boosted their trading income and also their asset management business.

PROFILE Kaspar Villiger, finance minister

Balancing the books

Mr Kaspar Villiger, Switzerland's finance minister, does not deny that his country faces economic problems. But he believes that they are more psychological than real.

"We have learnt to complain without really suffering," says the man responsible for balancing the nation's books. "The Swiss economy may be stagnating, but it is 'stagnating at a very high level'."

Contrary to some gloomy prognoses, Mr Villiger does not accept that the country's industrial base has been badly damaged by recession. Since 1993, investment in equipment - mostly in the industrial sector - has grown by about 8 per cent a year, a higher rate than during the 1980s. Exports have been one of the most resilient parts of the economy.

The problem areas are well known - construction, still suffering from the excesses of the 1980s, and the service sector, where there has been a "very deep restructuring process" triggered by rapid technical change, intense foreign competition and the break-up of domestic cartels.

"Our economy is fitter now than five years ago," says Mr Villiger. He admits that it may only grow by 0.5 per cent this year and unemployment is likely to increase in the short term. However, next year the recovery should finally respond to the expansive monetary and fiscal policy and recent weakening of the Swiss franc.

He accepts that there is always a danger that Switzerland's overdue economic recovery could be threatened by renewed upward pressure on the Swiss franc if there are doubts about progress towards European monetary union. A decision

in favour of a larger Euro group, or a liberal interpretation of the convergence criteria, might be enough to trigger significant exchange rate fluctuations. However, Mr Villiger believes that if Switzerland's export industry came under real pressure, because of a sudden upward revaluation of the Swiss franc, then "monetary policy would have to be eased to counter the effects, and a subsequent rise in inflationary pressures would have to be accepted".

On unemployment, Mr Villiger does not share the general pessimism about the increasing propensity of Swiss multinationals to move jobs abroad. ABB, for example, has cut 59,000 jobs in western Europe and North America over the last six years and created 56,000 in Asia and central and eastern Europe. "Multinationals have no choice," says Mr Villiger. If they are to be successful they have to observe a "fitness" programme which often leads to job cuts in Switzerland. However, by expanding abroad and creating jobs in other countries, they also safeguard jobs in Switzerland.

Nevertheless, Mr Villiger knows that he cannot rely on Switzerland's successful multinationals, such as Roche, Nestlé and ABB, to create jobs for Switzerland's school-leavers. He will have to rely on small companies employing fewer than 500 staff. They already employ almost 90 per cent of Swiss workers and have created 60,000 jobs over the last three years. To help this sector he is streamlining administrative procedures and amending the tax code.

In common with other finance ministers, Mr Villiger's biggest problem is adjudicating on the competing demands from spending departments for Swiss taxpayers' money. Switzerland's budgetary problems are still relatively minor compared with some of its European neighbours, and it has no difficulty fulfilling the "Maastricht criteria". Public debt has doubled since 1990, but Switzerland's budget deficit as a percentage of gross domestic product is still less than half the European Union average.

The preparation of the next Swiss budget is complicated by uncertainties over the timing of the economic recovery. However, Mr

Villiger intends to achieve a balanced budget by 2001. He has set an interim target of a maximum budget deficit of SFR4bn for 1999, or 1 per cent of GDP, compared with an estimated 1.9 per cent for the current year.

In addition to settling this year's budget, Mr Villiger is also grappling with longer-term problems, one of which is regaining control of social security spending. If no corrective measures are taken, the extra resources needed by the year 2010 would equal the receipts from a value added tax of 6.8 per cent. Switzerland's current VAT rate is 6.5 per cent. By 2025, the VAT rate would have to be 12.9 per cent if nothing was done to stem the rising cost of social insurance. Switzerland is considering a moderate increase in VAT to offset the extra costs of an ageing population.

Mr Villiger is also in charge of a vast project of administrative reform with a view to streamlining government activities through a more efficient allocation of functions between the ministries and the introduction of methods of new public management in certain areas of government.



Kaspar Villiger: 'The economy is fitter than five years ago'

Last, but not least, Mr Villiger has started a large-scale project to reallocate resources between the federal and cantonal level aiming at setting up a more transparent and efficient system. This would not only help reduce spending but also reinvestigate Swiss federalism.

After nearly seven years of stagnation, Switzerland

seems far removed from the economy which used to be held up as a role model for sound and successful economic management in the 1970s and 1980s. However, Mr Villiger is optimistic about his country's prospects. Switzerland still has one of the lowest tax regimes of any OECD country, and its social security system is more flexible than most. Its enviable record of labour relations appears not to be threatened by the country's current economic problems. Low inflation and record low interest rates mean that Switzerland's economic conditions remain "amongst the best in the world", says Mr Villiger.

However, Mr Villiger admits that in the short term Switzerland may be suffering unduly because "we are used to too easy a life". The current downturn may well be enough to shake the Swiss out of their complacency.

William Hall

Entrepreneur makes it to the top

Switzerland may be a country of part-time politicians, but not many businessmen have made it to the top of Swiss politics, writes William Hall. Mr Peter Späth, the chairman of Winterthur Insurance, used to be a member of the Swiss Nationalrat, and Mr Christoph Blocher, chairman of the EMS specialty chemicals group, and Mr Erich Müller, Sulzer's chief financial officer, are active in national Swiss politics.

However, Mr Kaspar Villiger, Switzerland's 56-year-old finance minister, is one of the very few entrepreneurs to become a member

of the seven-strong Federal Council which runs the country's day-to-day business.

Having trained as a mechanical engineer, he took over the family's clear factory when he was 25 following the death of his father. Over the next couple of decades he diversified into bicycle manufacturing and shared the management with his brother, who ran the German operation, while he looked after Switzerland and the rest of the world.

He began his political career with the Liberal party (FDP), the closest

Switzerland has to a party of big business, in the cantonal parliament of Lucerne in 1972.

After 10 years he moved into national politics. His first government post was as defence minister, when he used his management skills to reform the country's biggest ministry. Since November 1995 he has been finance minister and shares responsibility for overseeing the economy with Mr Jean-Pascal Delamuraz, a member of the same party, who heads the department of national economic affairs.



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16. AESCHENVORSTADT

Switzerland

The economy, democracy and business were until recently held in the highest esteem, but now cracks are evident. William Hall reports

Isolation is now being questioned

Switzerland is down in the dumps. Its reputation as a squeaky clean and rich little country which sits aloof from the rest of the world's problems has been badly tarnished by the recent revelations about its war-time gold dealings with Nazi Germany. Switzerland, it seems, was not as neutral as it has pretended.

Its economy, once a role model for the rest of Europe, has been faltering for the past seven years. Its ponderous system of direct democracy is creaking under the strain of having to find quick solutions to increasingly urgent and complex problems. Business and political leaders are suffering from an unusual amount of self-doubt and are questioning the wisdom of the country's continuing political isolation as it prepares to enter the next century.

"We are accused of dishonesty, stubbornness and arrogance," said Switzerland's President Arnold Koller in a speech this month. "The reputation of our country is tainted by the currently worldwide impression that Switzerland has profited and enriched itself thanks to the war, and that for the past 50 years Swiss banks have been trying to hold on to the assets of Holocaust victims."

For the Swiss, brought up to believe that the second world war was one of their finest hours, the recent spate of allegations has come as a rude shock.

The majority of the population had been under the impression that the rest of the world thought the same

as Sir Winston Churchill. Britain's war-time leader, who declared in December 1944: "What does it matter whether Switzerland has been able to give us the commercial advantages we desire, or has given too many to the Germans, to keep herself alive? Switzerland has remained a democratic state, standing for freedom in self-defence among her mountains, and in thought she has been, in spite of race, largely on our side."

Mr Flavio Cotti, Switzerland's foreign minister, summed up the mood of many Swiss when he said recently that "for 50 years the world spoke well about Switzerland. Now they tend to emphasise only the shadows."

Switzerland makes an easy target. It is very rich, very small, and the increasing number of lurid tales coming out about its past fuel the popular stereotype of a nation of greedy bankers, more interested in making money than taking moral decisions.

There is far more to Switzerland than its banks, but the banks play a disproportionately large role in the economy. The assets of the Union Bank of Switzerland and Credit Suisse, the two biggest, each dwarf the Swiss gross national product.

That is why the Swiss banks have finally been galvanised into action. A special commission set up by the World Jewish Congress and the Swiss Bankers' Association under the chair-

manship of Mr Paul Volcker, the former chairman of the US Federal Reserve, is investigating whether they are still profiting from the dormant bank accounts of Holocaust victims.

No other modern banking system has been subjected to the same level of outside scrutiny. But then no other banking system owes its success as much to the consequences of the war as the Swiss banks. This helps explain why they have also led the push for a private-sector humanitarian fund to provide speedy assistance to Holocaust survivors. The negative publicity is bad for business.

In the beginning the Swiss government, like its bankers, did not take the criticism seriously. "We decided to wait and see, reacted too late, often inappropriately and - considering the uniqueness of the event - with insufficient sensitivity to the other peoples' past," says President Koller. This behaviour has led to an impression abroad that Switzerland is only facing up to its past as a result of concerted international pressure.

There is an element of truth in this view. Nevertheless, it would be childish to minimise the steps Switzerland is now taking to deal comprehensively with its past and confront the consequences. Bank secrecy laws have been lifted to facilitate the work of an historical commission, made up of five Swiss and four foreign experts, investigating Switzerland's war-time record.

Area: 41,286 sq km	Main towns & population (1994)
Population: 7.1 million (1996 est)	Bern (capital): 134,000
Language: German, French, Italian, Romansh	Zürich: 168,000
Government: Council of States, Council of Cantons	Basel: 100,000
Exchange rate: 1 Swiss Franc (Sfr) = 100 centimes	Geneva: 102,000
Exchange rate: 1996 av. \$1 = Sfr 1.24, March 12, 1997 \$1 = Sfr 1.4850	Lausanne: 125,000

Economic summary	1996	1995	1994
Real GDP growth (annual % change)	2.0	0.8	0.5
Inflation, average (annual % change in CPI)	1.0	1.1	1.2
Industrial production (annual % change)	2.0	2.2	2.5
Foreign exchange reserves, December (Sfr)	58.7	58.7	58.7
Current account balance (Sfr)	20.0	20.0	20.0
Merchandise imports (Sfr)	103.5	102.2	102.2
Merchandise exports (Sfr)	103.5	102.2	102.2
Trade balance (Sfr)	0.0	0.0	0.0
Exports	103.5	102.2	102.2
Imports	103.5	102.2	102.2
EU (15)	80.0%	80.0%	80.0%

Government and constitution			
	1996	1995	1994
Swiss Federal Assembly (parliament), comprising the National Council and Council of States. National Council of 200 members	The Assembly elects one of the Federation Councilors to be president of the Confederation (paid of state) for one year at a time. At present this role is filled by...	Federal Council (the executive authority) of seven members elected for a four-year term by, but not necessarily from, the Federal Assembly. The...	

IV SWITZERLAND

TOURISM • by Frances Williams

Natural beauty is not enough to woo visitors

Much modernisation is needed, but many enterprises are in no position to spend large sums of money

The Swiss tourist industry, after five dreadful years, is hoping 1997 will be a turning point. Highly sensitive to changes in costs and discretionary income, the industry has suffered more than most from the previous strength of the Swiss franc and economic stagnation in Europe.

Last summer was the worst for business in 40 years and the year as a whole was scarcely better, with overnight hotel stays down nearly 5 per cent to 28.7m. Between 1991 and 1996 the number of overnight hotel stays slumped by 16 per cent.

There are, nevertheless, tentative signs that the sliding franc may be starting to have an impact. Overnight hotel stays rose in December for the first time in four years, helped by good snow conditions over the holiday period. "I no longer expect a further decline, rather a stabilisation" in 1997, says Mr Alfred Urfer, president of the Swiss Hotel Association.

The health of the tourist industry matters not only for those in the business but for the Swiss economy as a whole. Tourism is Switzerland's third-biggest foreign-exchange earner, making a sizeable contribution to the country's hefty balance of payments surplus, and accounts for nearly 6 per cent of gross domestic product.

In reality, the sector is even more important than this suggests because of its spillover effects in other sectors. Virtually all its "added-value" is created in Switzerland to the benefit of the domestic economy. As a labour-intensive industry its well-being is a big influence on employment. At a national level, one in 11 Swiss workers are dependent on tourism directly or indirectly for their income, and in mountain regions the proportion is almost one in two.

Short-term economic factors have clearly been responsible for some of the tourist industry's problems in recent years. The surging franc priced already-expensive Switzerland

beyond the pockets of many foreign visitors and made overseas holidays a more attractive proposition for increasing numbers of Swiss. Belt-tightening in recession-struck Europe also kept people at home.

The number of overnight hotel stays by foreign visitors to Switzerland last year fell by 6 per cent, double the decline among domestic tourists. The fall was especially marked among European holiday-makers, who make up the bulk of visitors to Switzerland, although there was a further increase in visitors from Asia.

Meanwhile, the gap between spending by foreign visitors in Switzerland and spending on holidays abroad by Swiss has been shrinking steadily, and on present trends threatens to disappear altogether by the end of the century. From SF2.8bn in 1992 the tourist balance was just SF2.1bn in 1996 and is likely to have been still narrower last year.

Swiss experience contrasts sharply with that of the tourism industry worldwide, which is seeing an extraordinary boom.

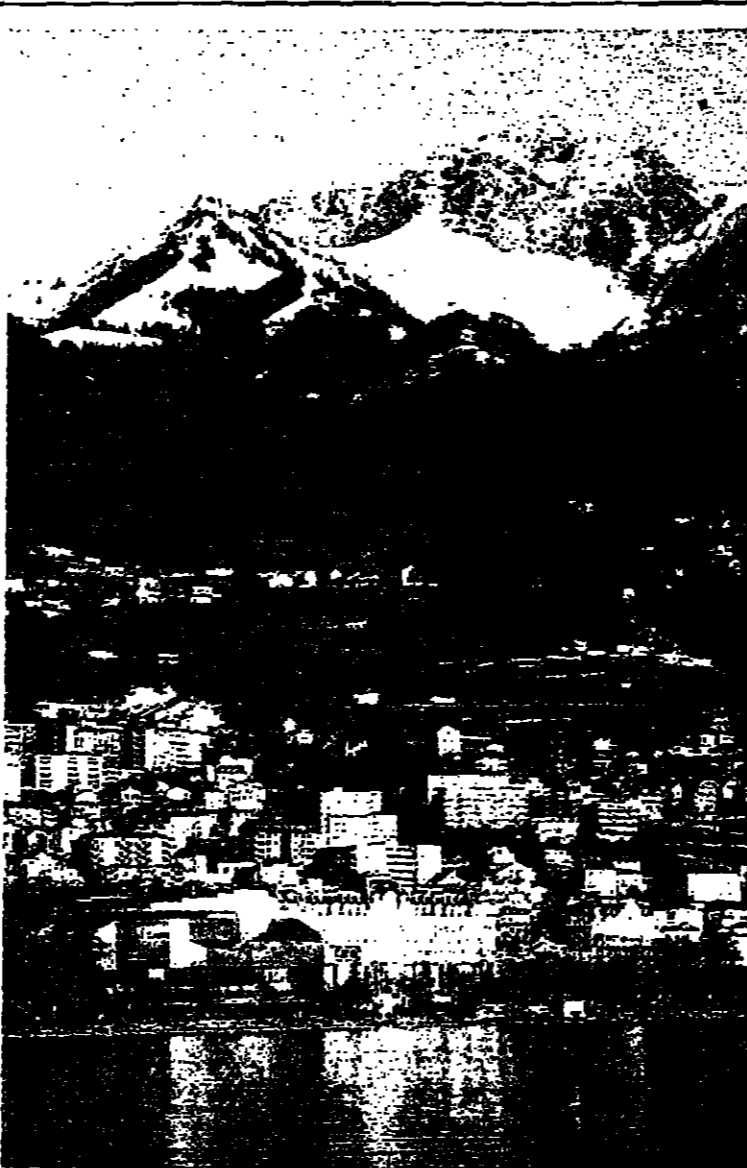
While Switzerland still ranks among the 15 most important tourist destinations in the world, its share of the world market has fallen from 4 per cent in 1965 to 2 per cent 10 years later.

According to the latest figures compiled by the Madrid-based World Tourist Organisation, Switzerland rates tenth in the world in terms of receipts from foreign tourists, behind China in ninth place and well behind Switzerland's Alpine neighbour, Austria, in sixth place.

There is now a general acceptance in the industry that stemming the relative decline in Switzerland's fortunes will require a good deal more than simply waiting for the weaker franc to raise demand.

Unlike the country's manufacturing sector, which has consistently boosted productivity and innovation to stay competitive on world markets, the tourist sector has remained stuck in its traditional groove.

Much of Switzerland's tourist infrastructure dates originally from the early years of the century, when it was a favourite spot for British travellers in particular. Apart from



Mountains and lakes abound...but visiting them has been expensive. Photo: Fergus Wilson

essential modernisation, many resorts have changed little since.

According to a recent study by Union Bank of Switzerland (UBS), Swiss tourist facilities - from hotels to cable-cars - tend to be small, inefficient and costly. Overcapacity is a chronic problem - in 1995, average hotel bed occupancy was less than 40 per cent. At the same time, large numbers of tourist enterprises are deep in debt and in no position to spend large sums on investment in bringing facilities up to date.

Other problems are more a question of attitude than money. When the UBS asked tourist office directors in Switzerland and abroad to rate the country's tourist assets and deficiencies, they classed the relationship between price and quality, the quality of service and the lack of innovative products as the most important structural problems afflicting the industry.

Switzerland's magnificent and largely unspoiled mountain scenery, efficient transport system and cultural diversity were seen as the main attractions.

Swiss Tourism, Switzerland's national tourist office, and others such as the Swiss Hotel Association are now encouraging members to develop distinctive products and packages that will capitalise on the country's assets and overcome its disadvantages.

The basic idea is to entice holiday-makers looking for something out of the ordinary, especially holidays centred on activities such as mountain hiking, golf or snowboarding, or related to festivals and events.

Efforts are also being made to encourage more friendly attentive service than tourists have sometimes received in the past and, above all, to make visitors feel they are getting their money's worth.

FOREIGN AFFAIRS • by Frances Williams

Union with Europe appears no nearer

Immigration and transport fears could mean a long wait for membership

The government wants it, the business and financial community want it, and so - according to recent opinion polls - does a slim majority of citizens. Yet Swiss membership of the European Union seems as far off as ever.

Even on the most favourable assumptions, the Swiss government could not open membership negotiations before 2000, ruling out entry alongside the first wave of new EU members from eastern Europe around 2002.

Government caution - admittedly founded on bitter experience - and Switzerland's sluggish political processes have combined to produce virtual paralysis in the country's stance on Europe. In December 1992, after voters narrowly turned down membership of the European Economic Area (EEA), a free trade zone with the EU, Switzerland was forced to put on ice its formal application for EU entry deposited the previous May.

The government in Bern then decided to try its luck with Brussels in bilateral talks aimed at limiting the economic damage from remaining outside the European single market. Yet, far from being the quick fix the Swiss had envisaged, the talks took two years to get off the ground and are still plodding on.

Only the controversial transport dossier is now outstanding, however, following provisional agreements on research, government procurement, agriculture, product standards and immigration. The two sides hope to conclude negotiations by the summer with a package of accords that would come into effect in 1999.

But, this being Switzerland, concluding a deal will not be the end of the story. Mr Christoph Blocher, Swit-

zerland's most prominent Eurosceptic and an indefatigable campaigner, is threatening a referendum challenge that could leave the government with nothing to show for a decade of effort to nurture closer European ties.

Mr Blocher, a successful industrialist and People's party MP, is focusing on unpopular proposals in the talks to give EU citizens untrammelled rights to live and work in Switzerland, and to lift the country's ban on lorries weighing over 28 tonnes.

In December the Swiss government reluctantly agreed a timetable for scrapping its system of work permit quotas for EU citizens and instituting the free movement of persons insisted on by Brussels.

Under the complex deal, quotas would be eliminated within six years of the treaty coming into force, though a safeguard clause would allow subsequent reintroduction in case of strong immigration. After 14 years, freedom of movement for EU citizens would become permanent.

This formula represents a big climbdown by both sides. Brussels had originally demanded the abolition of work-permit quotas within three years while Switzerland was prepared only to agree to future negotiations on the issue.

But, for Mr Blocher, the relaxation of immigration controls without the people's consent is "out of the question for Switzerland", whether now or in several years' time.

That consent will not be easily won. Fears that foreigners would flock to Switzerland, snatching jobs and homes, were the main reason for rejecting the EEA in 1992 and, more recently, a relaxation of restrictions on property purchases by non-Swiss.

Meanwhile, Brussels and Bern are still arguing over the even more explosive transport dossier, which has been complicated by a referendum vote in 1994 to ban transit freight traffic through the Alps within 10 years.

The Swiss government has said it is willing to phase out its prohibition on EU 40-tonne trucks by 2005, provided lorries pay charges related to the costs they impose on infrastructure and the environment. The EU, too, is planning to move to a cost-based system for taxing heavy goods vehicles.

However, Switzerland's estimated charges of up to SF600 for the north-south transit journey from Germany to Italy were described as "prohibitive" by Mr Neil Kinnock, the EU transport commissioner. Brussels is stipulating a maximum transit charge of SF200, arguing that anything higher will perpetuate the current diversion of an estimated 1m to 1.5m vehicles a year from Swiss to French and Austrian roads. Swiss negotiators are in a difficult position because the deal struck on road transport will determine whether Swissair, the national airline, is given improved access to the EU's liberalised air transport market. This was one of Switzerland's main objectives when it broached the bilateral talks in 1993.

At the same time, the Swiss government cannot afford to make too many concessions to Brussels that could result in a referendum, defeat on what has traditionally been a highly sensitive political issue. Some indication of Mr Blocher's support will come in June when the Swiss are due to vote on an anti-EU initiative that would oblige the government to seek the permission of the electorate before entering any negotiations on EU membership.

This initiative is widely expected to fail - but a narrow defeat would be a bad omen. The Swiss will probably go to the polls to approve the results of the bilateral talks some time next year, after the deal has been considered by parliament.

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TELECOMMUNICATIONS • by William Hall

Competition has hardly begun

Foreigners are queuing up for market share as Swiss realign policies to EU

The rapid pace of change facing Switzerland is nowhere more evident than in its telecommunications industry. Switzerland is at the crossroads of Europe and, despite the country's neutral stance and non-membership of the European Union, it cannot afford to ignore the changes which are under way in neighbouring countries.

The giant Swiss PTT, whose operations range from providing the lifeline of the yellow Postbuses in remote mountain areas to high-speed data transmission services, is being split. The barely-profitable postal service, which employs 40,000, will remain state-controlled, but up to 49 per cent of the shares in Swiss Telecom are scheduled to be sold on the stock market in the second half of next year.

Meanwhile, the Swiss government is debating the second big reform of its telecommunications legislation within five years. The Telecommunications Act, which came into effect in May 1992, is having to be revised radically to take account of the European Union's commitment to the complete opening of all telecommunications services to competition from January 1998.

Since 1992, private providers of customer equipment and value-added services, such as message handling, private network services and data communications, have been able to compete with Swiss Telecom. A number of foreign telecom companies, such as British Telecom and AT&T, have already set up operations in Switzerland aimed at the multinationals. BT, for example, has more than 50 staff in Switzerland and more than 300 customers.

However, the real competition in Swiss telecommunications has hardly begun. The new legislation now going through the Swiss parliament will abolish the voice and network monopolies and mean that from January 1 1998 new competitors will be able to compete with Swiss Telecom across the board.

However, before this happens the Swiss government has to settle several key questions, ranging from whether more than one extra mobile telephone concession will be granted, to whether new competitors for the provision of basic telephone services have to compete for a national licence or

can be licensed on a regional basis. Naturally, Swiss Telecom would prefer competitors to have to bid for a national licence, whereas the level of competition would probably be increased by the issue of regional operating licences.

The costs and terms of the interconnection agreements, which will allow competitors to plug into Swiss Telecom's network, will be critical for new entrants, and the powers of the industry regulator have to be fixed. Switzerland also faces the same dilemmas as other countries in trying to balance the need for the continued provision of a universal service with nationwide coverage and the need for extra competition.

As a country dependent on exports and the provision of services it has a lot to gain from a successful deregulation of its telecoms market. In terms of its SF10bn size, it is the eighth biggest in Europe. However, with 4.5m exchange lines for its 7.3m population it has one of the highest density phone networks in the world and it is being rapidly digitalised.

It is also the seventh biggest market in terms of ongoing international telephone calls. Even though the Swiss government has not laid down the rules, competitors are already jostling to be the first to challenge Swiss Telecom across the board. British Telecom and Tele Danmark have taken a 49 per cent stake in Newtelco, which has been founded by Swiss Federal Railways (SBB), Union Bank of Switzerland and the Migros supermarket chain. The two foreign companies will provide the technical know-how and international access, while the Swiss partners will contribute infrastructure, customer contacts and cash.

SBC Communications, one of the biggest regional US telephone companies and operator of the world's second-biggest cellular phone business, has teamed up with several Swiss electricity utilities to form DIAL. Like Newtelco, it will bid for a mobile phone licence in addition to being a full-service telecom provider.

Other competitors are waiting in the wings to see whether the reform of Switzerland's telecommunications laws really will be designed to encourage competition. However, there is a limited window of opportunity for entry into the market, and Newtelco, at least, believes that there is a considerable advantage in being first through the door. It is investing an initial SF500m, and expects to employ 1,000 staff within the next few years.

Mr Hans Ivanovitch, 44, BT's general manager for central Europe, has been made chief executive of Newtelco and, if all goes according to plan, it could be serving not only the big multinational clients but also residential customers within 18 months.

Mr Josef Egger, information technology director at SBB and Newtelco's chairman, expects the arrival of new competitors to lead to a halving of prices. There is less agreement on how many competitors a deregulated Swiss market can support.

Mr Alfred Mocketti, BT's managing director for global communications, says that on past experience, when a market dominated by one company is opened up to competition, the incumbent loses about 25 per cent of the market over three to four years. Since Newtelco is aiming for up to 15 per cent of the market over the next decade, it suggests that Swiss Telecom may only face two or three main competitors.

The arrival of the new competition has already led to a big shake-up at Swiss Telecom, headed by Mr Felix Rosenberg, a former politician who has led the company since 1989. It is attempting to transform itself from a traditional state-owned national telephone company into a nimble global competitor with a clear identity of its own. It has begun cutting prices, forging alliances with other international operators, and modernising its management.

Mr Rosenberg estimated recently that every year's delay in privatisation was costing Swiss Telecom SF100m in lost business. It is expanding abroad to compensate for its expected losses in revenue and domestic market share. It has joined forces with two German electricity utilities to challenge Deutsche Telekom's dominant market share in the German state of Baden-Württemberg, which borders Switzerland. It has bought into telephone companies in Hungary and the Czech Republic, and has bought a stake in an Indian mobile telephone operation.

Mr Benedikt Weibel, the president of SBB who had the original idea for Newtelco, likes to remind his audiences that Swiss Railways were at the forefront of the latest developments in telephony long before Swiss Telecom was around. Indeed, in 1886 the station master in Bern was using the phone to talk to drivers in the goods marshalling yards...before the Swiss government had its first phone.

TRANSPORT • by William Hall

Mountains of problems

Attempts to switch freight from road to rail present a fresh set of challenges

Switzerland may not be part of the European Union, but its transport system certainly is. Ever since Hannibal crossed the Alps more than 2,000 years ago, Switzerland has proved an obstacle for Europeans on the move. Even today, securing European Union transit rights across Switzerland remains one of the country's trickiest diplomatic issues.

Over half of the country is occupied by mountains, which not only pose expensive technical challenges for Switzerland's road and rail builders but also raises sensitive environmental issues. The Swiss love their Alps, and have even supported a 1994 referendum to protect them. From 2004, all transit traffic through the Swiss Alps is supposed to go by rail.

On paper this looks a sensible decision since Switzerland's rail network is often singled out as one of the best in the world. Fast and frequent trains connect with local buses, mountain trains and even lake steamers.

Apart from Geneva, Switzerland's main commercial centres are nearly all only an hour's train journey from each other, so competition from airlines is never going to pose a threat to rail. Nearly one-fifth of all passenger transfers and almost 40 per cent of all goods transported in Switzerland go by rail, more than twice the European average.

Switzerland's rail network is efficient, and until the 1970s operated without government subsidy. However, since then its



In theory, the days of large trucks crossing the Alps are numbered. Photo: Fergus Walsh

financial problems have mounted.

Passenger traffic, which had risen steadily since the second world war, dropped for the first time in 1995, and revenue from goods traffic has fallen by nearly one-third since 1992. Staff numbers have been cut by nearly 20 per cent to 32,000 since the start of the decade. But this is not enough to restore the financial fortunes of the railways at a time when they need more investment than usual.

The second transport problem the Swiss government faces is the need to honour the Swiss people's 1992 commitment to build two new rail-

way lines through the Alps. The project, known as the Neue Eisenbahn-Alpentransversale (Neat), is being built to cope with the expected growth in rail business which will result from switching trans-Alpine heavy goods traffic from road to rail.

Switzerland has stubbornly refused to let in 40-tonne lorries from its European neighbours, and part of the price it has had to pay to agree to build two new north-south train tunnels - the Gotthard (57km) and the Lötschberg (30km).

The SF16bn price of the Neat project could easily be more than double when added to related transport

initiatives, such as Train 2000, which will increase the speed of inter-city train services by around 17 per cent, and stepping up access links to the tunnels and high-speed networks in neighbouring countries.

Work has not yet started on boring the main trans-Alpine tunnels, which are due to be in operation by 2007, and there is a danger that the project, which dwarfs the cost of the Channel tunnel, will have to be delayed because of the need to curb the rapid rise in the Swiss public debt resulting from nearly seven years of stagnation.

One solution would be to economise by building one tunnel rather than two. But this has inevitably polarised opinion in the French and German speaking parts of Switzerland, each of which has a vested interest in their tunnel being built. At the moment Switzerland seems intent on continuing with an expensive compromise of both tunnels, although no one - let alone Switzerland's state-owned railway - has any clear idea of how they will be financed.

It is problems like these which show that beneath the surface Switzerland's transport system is not humming along as smoothly as it might seem to a first-time visitor.

Motorway travellers wanting to bypass Zurich, for example, find they have to go through the city centre. Efforts at reducing traffic in congested inner city areas are limited because tolls are unconstitutional. In the late 1980s, plans to enshrine a co-ordinated transport policy, known as the Swiss Integrated Concept of Transport (SICT), into the constitution, were rejected by the population. Since then Swiss transport policy has developed on a pragmatic basis.

Alpine goods traffic still soaring

William Hall interviews the transport minister, Moritz Leunberger

How does road traffic growth in Switzerland compare with that of rail traffic?

The constant increase in trans-Alpine goods transport is particularly important for Switzerland, and it looks set to double in the next 20 years. Since 1980, trans-Alpine road and rail traffic in the area of Mont Cenis/Grévy pass (France) and the Brenner pass (Austria) has increased from 50.7m tonnes to 58.2m tonnes a year. The amount of freight transported by rail is constantly falling while the share taken by road is constantly growing. Trans-Alpine road traffic has quintupled in the last 16 years, with transit traffic showing the highest growth rates and today making up more than half of the total. Rail, on the other hand, has seen its market share steadily depleted in Switzerland. In 1980, the market share of rail was 93 per cent. Today it has dropped to 69 per cent.

What are the main principles of Switzerland's transport policy?

The mobility of modern life and inevitable rise in traffic volumes are issues which must be tackled in an ecologically responsible manner. This calls for a transfer of traffic from roads to railways, which in turn will mean optimising the railway network. Secondly, Switzerland wants to set its policy in a European framework. It is aiming for a co-ordinated transport policy in the ongoing bilateral negotiations with the European Union, to be based on the principles of non-discrimination, free choice when it comes to selecting transport means, and the use of market-orientated solutions. Thirdly, the transport system must be financially sustainable, more productive and more efficient. In this respect, our transport policy is based on the principles of the free market and open competition.

What are the challenges facing Swiss railways?

Switzerland has a good railway system which functions well. Unfortunately, it is too



Moritz Leunberger: 'A good rail system is becoming too expensive'

expensive and is becoming less and less competitive compared to road transport. This is why it is currently undergoing a fundamental transformation. The railway system must be more efficient and closer to the market if it is to compete with other forms of transportation.

What reforms are you planning?

The central measures of the rail reforms include the financial separation of infrastructure and transport, the liberalisation of goods traffic, the creation of an opening in network access, and a new legal status for the Swiss Federal Railways. Most of the measures taken to increase efficiency and competition, however, lie with the railways themselves - more entrepreneurial thinking, creating marketable, low-cost and productive offers and optimising timetables. The introduction of a heavy vehicle tax based on mileage will help implement cost realism. Alongside road costs, heavy vehicles will be charged for uncovered external costs such as accidents and the environment. The implementation of the Alpine protection article in our constitution is aimed at transferring goods traffic from road to rail. The transition will be non-discriminatory, compatible with European policy, and will take place through market taxes and a

The aims of the Swiss government correspond largely with those of the European Union with regard to transport policy. The European Commission is making every effort to implement sustainable transport management. Not all member-states of the EU seem to share the aims expressed by the Commission and by Mr Neil Kinnock, the transport commissioner. In the bilateral negotiations between Switzerland and the EU, both sides pursued similar objectives, such as rail reform and fair pricing. Opinions currently differ on the implementation and timescale of the measures on road taxation for example.

What is the status of the Neat project?

The government decision to construct the new Swiss Trans-Alpine Rail Axis (Neat) was passed by popular vote on September 27 1992. The Neat project itself is largely undisputed. However, differences have arisen on alignment, timing of the construction programme and, above all, finance. Financial

arrangements and the construction programme for large-scale public transport projects such as Neat, Rail 2000, TGV links and noise abatement on the existing network are being reassessed because of changes in the basic conditions caused by an accumulation of different large-scale projects, deterioration of the federal financial situation, altered economic expectations and technical developments in the rail sector.

Does private finance have a role in Swiss transport planning?

In the case of Neat it will probably be difficult to find a prospective buyer because of the questionable profitability, the long gap between conception and introduction and the long payback period of around 100 years. For this reason the federal government will have to act as the main provider of loans for the project. Private financing will still be considered for smaller, more profitable projects. Privatising Swiss railways is not under discussion at the moment.

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	mid-point	on day	spread	high	month	months	year	of
					Rate	Rate	Rate	Rate
Europe	10.1485	+0.0019	883 - 548	18.1764	19.1176	18.103	2.7	18.0485
Australia	56.1156	+0.0047	323 - 082	56.2220	56.0423	56.9006	2.7	55.7026
Belgium	10.3328	+0.0144	786 - 870	10.3389	10.3577	10.3006	2.5	10.3173
Denmark	8.1253	+0.0021	173 - 383	8.1240	8.1110			
France	8.1783	+0.0023	702 - 885	8.1838	8.1847	8.1563	2.9	8.1127
Germany	8.1783	+0.0023	702 - 885	8.1838	8.1847	8.1563	2.9	8.1127
Greece	427.817	+0.715	006 - 028	428.508	427.000			
Italy	1.0241	+0.0004	280 - 281	1.0236	1.0228			
Japan	270.400	+0.777	001 - 180	271.172	270.284	271.15	1.5	270.85
South Korea	96.1188	+0.0047	628 - 088	96.2220	96.0423	96.9006	2.7	95.7026
Spain	16.0009	+0.0008	884 - 623	16.0089	16.0089	16.0029	3.2	16.0037
Sweden	10.3328	+0.0144	786 - 870	10.3389	10.3577	10.3006	2.5	10.3173
Switzerland	273.584	+0.007	445 - 742	273.581	273.734	273.734	1.5	273.581
Taiwan	231.228	+0.002	144 - 308	231.228	231.228	231.228	1.7	231.228
Thailand	12.4247	+0.172	138 - 335	12.4247	12.4247	12.4057	1.8	12.3882
UK	2.3387	+0.0006	353 - 411	2.3454	2.3346	2.3309	4.5	2.313
USA	1.4007	+0.0012	889 - 015	1.4057	1.3978	1.3985	1.8	1.3988
EUR	1.164347							

1. Rates for Mar 15. Settlement prices in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates. Settlement prices in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates. Settlement prices in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 14	Closing	Change	Settlement	Day's	One	Three	One	Bank
	mid-point	on day	spread	high	month	months	year	of
					Rate	Rate	Rate	Rate
Europe	11.9388	-0.0138	577 - 819	12.0380	11.9550	11.9451	1.5	11.8988
Australia	36.0225	-0.0085	280 - 770	35.2750	35.0280	34.9825	2.1	34.855
Belgium	6.4385	-0.0085	848 - 885	6.4343	6.4300	6.4787	1.6	6.4300
Denmark	6.0785	-0.0018	717 - 792	6.0735	6.0717	6.0657	2.1	6.048
France	5.7334	-0.0001	296 - 371	5.7338	5.7286	5.7227	2.2	5.7017
Germany	1.6933	-0.0019	880 - 885	1.7100	1.6985	1.6981	2.3	1.6956
Greece	287.285	-0.155	170 - 300	288.770	287.140	288.770	-7.0	287.285
Italy	1.5838	-0.0041	821 - 845	1.5845	1.5800	1.5808	0.3	1.5823
Japan	169.035	-0.220	380 - 390	170.030	169.280	169.035	-2.1	170.030
South Korea	35.0225	-0.0085	280 - 770	35.2750	35.0280	34.9825	2.1	34.855
Spain	1.2120	-0.0019	115 - 124	1.2044	1.2108	1.2082	2.4	1.2002
Sweden	6.8613	-0.0018	503 - 523	6.8615	6.8640	6.8640	0.7	6.8615
Switzerland	170.500	-0.005	800 - 850	171.500	170.500	171.500	-0.7	171.500
Taiwan	144.435	-0.007	450 - 450	144.435	144.435	144.435	-0.8	144.435
Thailand	7.7811	-0.0092	575 - 848	7.8108	7.7855	7.7855	0.4	7.7485
UK	1.4815	-0.0021	810 - 820	1.4888	1.4805	1.4857	3.9	1.4473
USA	1.0029	-0.0008	025 - 013	1.0020	1.0019	1.0019	1.8	0.97
EUR	1.1430	-0.0016	425 - 433	1.1433	1.1430	1.1442	-1.2	1.1487

1. Rates for Mar 15. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates.

WORLD INTEREST RATES

March 14	Over	One	Three	Six	One	One	One	Repo
	night	month	month	month	year	year	year	rate
Belgium	5%	3%	3%	3%	3%	3%	3%	2.50
Denmark	5%	3%	3%	3%	3%	3%	3%	2.50
France	5%	3%	3%	3%	3%	3%	3%	4.75
Germany	5%	3%	3%	3%	3%	3%	3%	3.10
Italy	5%	3%	3%	3%	3%	3%	3%	4.50
Japan	5%	3%	3%	3%	3%	3%	3%	2.50
South Korea	5%	3%	3%	3%	3%	3%	3%	2.50
Spain	5%	3%	3%	3%	3%	3%	3%	2.50
Sweden	5%	3%	3%	3%	3%	3%	3%	2.50
Switzerland	5%	3%	3%	3%	3%	3%	3%	2.50
Taiwan	5%	3%	3%	3%	3%	3%	3%	2.50
Thailand	5%	3%	3%	3%	3%	3%	3%	2.50
UK	5%	3%	3%	3%	3%	3%	3%	2.50
USA	5%	3%	3%	3%	3%	3%	3%	2.50

1. Rates for Mar 15. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates.

CROSS RATES AND DERIVATIVES

Mar 14	Over	One	Three	Six	One	One	One	Repo
	night	month	month	month	year	year	year	rate
Belgium	5%	3%	3%	3%	3%	3%	3%	2.50
Denmark	5%	3%	3%	3%	3%	3%	3%	2.50
France	5%	3%	3%	3%	3%	3%	3%	4.75
Germany	5%	3%	3%	3%	3%	3%	3%	3.10
Italy	5%	3%	3%	3%	3%	3%	3%	4.50
Japan	5%	3%	3%	3%	3%	3%	3%	2.50
South Korea	5%	3%	3%	3%	3%	3%	3%	2.50
Spain	5%	3%	3%	3%	3%	3%	3%	2.50
Sweden	5%	3%	3%	3%	3%	3%	3%	2.50
Switzerland	5%	3%	3%	3%	3%	3%	3%	2.50
Taiwan	5%	3%	3%	3%	3%	3%	3%	2.50
Thailand	5%	3%	3%	3%	3%	3%	3%	2.50
UK	5%	3%	3%	3%	3%	3%	3%	2.50
USA	5%	3%	3%	3%	3%	3%	3%	2.50

1. Rates for Mar 15. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates.

UK INTEREST RATES

Mar 14	Over	One	Three	Six	One	One	One	Repo
	night	month	month	month	year	year	year	rate
Belgium	5%	3%	3%	3%	3%	3%	3%	2.50
Denmark	5%	3%	3%	3%	3%	3%	3%	2.50
France	5%	3%	3%	3%	3%	3%	3%	4.75
Germany	5%	3%	3%	3%	3%	3%	3%	3.10
Italy	5%	3%	3%	3%	3%	3%	3%	4.50
Japan	5%	3%	3%	3%	3%	3%	3%	2.50
South Korea	5%	3%	3%	3%	3%	3%	3%	2.50
Spain	5%	3%	3%	3%	3%	3%	3%	2.50
Sweden	5%	3%	3%	3%	3%	3%	3%	2.50
Switzerland	5%	3%	3%	3%	3%	3%	3%	2.50
Taiwan	5%	3%	3%	3%	3%	3%	3%	2.50
Thailand	5%	3%	3%	3%	3%	3%	3%	2.50
UK	5%	3%	3%	3%	3%	3%	3%	2.50
USA	5%	3%	3%	3%	3%	3%	3%	2.50

1. Rates for Mar 15. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates.

EURO CURRENCY INTEREST RATES

Mar 14	Over	One	Three	Six	One	One	One	Repo
	night	month	month	month	year	year	year	rate
Belgium	5%	3%	3%	3%	3%	3%	3%	2.50
Denmark	5%	3%	3%	3%	3%	3%	3%	2.50
France	5%	3%	3%	3%	3%	3%	3%	4.75
Germany	5%	3%	3%	3%	3%	3%	3%	3.10
Italy	5%	3%	3%	3%	3%	3%	3%	4.50
Japan	5%	3%	3%	3%	3%	3%	3%	2.50
South Korea	5%	3%	3%	3%	3%	3%	3%	2.50
Spain	5%	3%	3%	3%	3%	3%	3%	2.50
Sweden	5%	3%	3%	3%	3%	3%	3%	2.50
Switzerland	5%	3%	3%	3%	3%	3%	3%	2.50
Taiwan	5%	3%	3%	3%	3%	3%	3%	2.50
Thailand	5%	3%	3%	3%	3%	3%	3%	2.50
UK	5%	3%	3%	3%	3%	3%	3%	2.50
USA	5%	3%	3%	3%	3%	3%	3%	2.50

1. Rates for Mar 15. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates.

EXCHANGE CROSS RATES

Mar 14	Over	One	Three	Six	One	One	One	Repo
	night	month	month	month	year	year	year	rate
Belgium	5%	3%	3%	3%	3%	3%	3%	2.50
Denmark	5%	3%	3%	3%	3%	3%	3%	2.50
France	5%	3%	3%	3%	3%	3%	3%	4.75
Germany	5%	3%	3%	3%	3%	3%	3%	3.10
Italy	5%	3%	3%	3%	3%	3%	3%	4.50
Japan	5%	3%	3%	3%	3%	3%	3%	2.50
South Korea	5%	3%	3%	3%	3%	3%	3%	2.50
Spain	5%	3%	3%	3%	3%	3%	3%	2.50
Sweden	5%	3%	3%	3%	3%	3%	3%	2.50
Switzerland	5%	3%	3%	3%	3%	3%	3%	2.50
Taiwan	5%	3%	3%	3%	3%	3%	3%	2.50
Thailand	5%	3%	3%	3%	3%	3%	3%	2.50
UK	5%	3%	3%	3%	3%	3%	3%	2.50
USA	5%	3%	3%	3%	3%	3%	3%	2.50

1. Rates for Mar 15. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates.

D-MARK FUTURES (M&M) DM 125,000 per DM

Mar 14	Over	One	Three	Six	One	One	One	Repo
	night	month	month	month	year	year	year	rate
Belgium	5%	3%	3%	3%	3%	3%	3%	2.50
Denmark	5%	3%	3%	3%	3%	3%	3%	2.50
France	5%	3%	3%	3%	3%	3%	3%	4.75
Germany	5%	3%	3%	3%	3%	3%	3%	3.10
Italy	5%	3%	3%	3%	3%	3%	3%	4.50
Japan	5%	3%	3%	3%	3%	3%	3%	2.50
South Korea	5%	3%	3%	3%	3%	3%	3%	2.50
Spain	5%	3%	3%	3%	3%	3%	3%	2.50
Sweden	5%	3%	3%	3%	3%	3%	3%	2.50
Switzerland	5%	3%	3%	3%	3%	3%	3%	2.50
Taiwan	5%	3%	3%	3%	3%	3%	3%	2.50
Thailand	5%	3%	3%	3%	3%	3%	3%	2.50
UK	5%	3%	3%	3%	3%	3%	3%	2.50
USA	5%	3%	3%	3%	3%	3%	3%	2.50

1. Rates for Mar 15. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates. Settlement prices in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current forward rates.

BASE LENDING RATES

Mar 14	Over	One	Three	Six	One	One	One	Repo
	night	month	month	month	year	year	year	rate
Belgium	5%	3%	3%	3%	3%	3%	3%	2.50
Denmark	5%	3%	3%	3%	3%	3%	3%	2.50
France	5%	3%	3%	3%	3%	3%	3%	4.75
Germany	5%	3%	3%	3%	3%	3%	3%	3.10
Italy	5%	3%	3%	3%	3%	3%	3%	4.50
Japan	5%	3%	3%	3%	3%	3%	3%	2.50
South Korea	5%	3%	3%	3%	3%	3%	3%	2.50
Spain	5%	3%	3%	3%	3%	3%	3%	2.50
Sweden	5%	3%	3%	3%	3%	3%	3%	2.50

Offshore Insurances and Other Fund

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 Funds are to serve various objectives and to provide investors with a wide choice of investment vehicles. The following are the 12 funds available to investors for the first time since the 1970-71 season.
 The funds are managed by the following companies:
 Capital Fund Management Ltd., 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 9

Offshore Funds and Insurances

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RECOGNIZED		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		Fidelity Funds - Contd.		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4 pm close March 14

NEW YORK STOCK EXCHANGE PRICES

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE				ASIA				AFRICA			
Index	High	Low	52w High	Index	High	Low	52w High	Index	High	Low	52w High
EUROPE											
UK (Mar 14/15)											
FTSE 100	4,112.1	4,103.5	4,144.2	4,123.1	4,108.7	4,138.9	4,150.0	FTSE 250	1,111.1	1,103.5	1,123.1
FTSE 100	4,112.1	4,103.5	4,144.2	4,123.1	4,108.7	4,138.9	4,150.0	FTSE 250	1,111.1	1,103.5	1,123.1
GERMANY (Mar 14/15)											
DAX	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	DAX	1,111.1	1,103.5	1,123.1
FRANCE (Mar 14/15)											
CAC 40	3,111.1	3,103.5	3,144.2	3,123.1	3,108.7	3,138.9	3,150.0	CAC 40	1,111.1	1,103.5	1,123.1
ITALY (Mar 14/15)											
FTSE MIB	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	FTSE MIB	1,111.1	1,103.5	1,123.1
SPAIN (Mar 14/15)											
IBEX 35	3,111.1	3,103.5	3,144.2	3,123.1	3,108.7	3,138.9	3,150.0	IBEX 35	1,111.1	1,103.5	1,123.1
NETHERLANDS (Mar 14/15)											
AEX	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	AEX	1,111.1	1,103.5	1,123.1
SWEDEN (Mar 14/15)											
OMX	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	OMX	1,111.1	1,103.5	1,123.1
DENMARK (Mar 14/15)											
OMX	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	OMX	1,111.1	1,103.5	1,123.1
FINLAND (Mar 14/15)											
HEX	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	HEX	1,111.1	1,103.5	1,123.1
IRELAND (Mar 14/15)											
ISEQ	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	ISEQ	1,111.1	1,103.5	1,123.1
PORTUGAL (Mar 14/15)											
BVLX	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	BVLX	1,111.1	1,103.5	1,123.1
GREECE (Mar 14/15)											
ATHEX	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	ATHEX	1,111.1	1,103.5	1,123.1
TURKEY (Mar 14/15)											
BIST	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	BIST	1,111.1	1,103.5	1,123.1
INDONESIA (Mar 14/15)											
JKSE	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	JKSE	1,111.1	1,103.5	1,123.1
PHILIPPINES (Mar 14/15)											
SEI	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	SEI	1,111.1	1,103.5	1,123.1
THAILAND (Mar 14/15)											
SET	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	SET	1,111.1	1,103.5	1,123.1
VIETNAM (Mar 14/15)											
HNX	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	HNX	1,111.1	1,103.5	1,123.1
CHINA (Mar 14/15)											
SSE	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	SSE	1,111.1	1,103.5	1,123.1
HONG KONG (Mar 14/15)											
HSI	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	HSI	1,111.1	1,103.5	1,123.1
TAIWAN (Mar 14/15)											
TSE	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	TSE	1,111.1	1,103.5	1,123.1
NEW ZEALAND (Mar 14/15)											
NZSE	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	NZSE	1,111.1	1,103.5	1,123.1
SOUTH AFRICA (Mar 14/15)											
JSE	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	JSE	1,111.1	1,103.5	1,123.1
INDONESIA (Mar 14/15)											
JKSE	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	JKSE	1,111.1	1,103.5	1,123.1
PHILIPPINES (Mar 14/15)											
SEI	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	SEI	1,111.1	1,103.5	1,123.1
THAILAND (Mar 14/15)											
SET	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	SET	1,111.1	1,103.5	1,123.1
VIETNAM (Mar 14/15)											
HNX	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	HNX	1,111.1	1,103.5	1,123.1
CHINA (Mar 14/15)											
SSE	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	SSE	1,111.1	1,103.5	1,123.1
HONG KONG (Mar 14/15)											
HSI	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	HSI	1,111.1	1,103.5	1,123.1
TAIWAN (Mar 14/15)											
TSE	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	TSE	1,111.1	1,103.5	1,123.1
NEW ZEALAND (Mar 14/15)											
NZSE	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	NZSE	1,111.1	1,103.5	1,123.1
SOUTH AFRICA (Mar 14/15)											
JSE	2,111.1	2,103.5	2,144.2	2,123.1	2,108.7	2,138.9	2,150.0	JSE	1,111.1	1,103.5	1,123.1

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INDICES

	Mar 14	Mar 13	High	Low		Mar 14	Mar 13	High	Low
1999/97									
Argentina					Japan	1393.94	1391.04	1395.59	1392.93
Australia	20473.50	20460.57	20815.87	21091.30	24297	12537.28	12516.96		
Austria					Japan V4/198				
Al Colombia(1/16)	3423.2	3435.4	294.4	291.75	18297	161.87	1640.38	1881.10	2281.51
Al India(1/16)	513.2	518.8	97.4	111.84	95.95	203.01	227.58	27.65	
Al Mexico					KLSE	1242.47	1246.76	1268.12	1271.15
Al New Zealand					KLSE Comp(4/199)				
Al Russia					Monaco				
Al South Africa	414.12	413.85	414.42	416.23	1120.67	64	3745.39	3758.09	3852.99
Al Taiwan					NYSE 1978				
Al Thailand	1218.01	1219.57	1216.92	1225.43	1120.67	572.3	665.8	665.70	1120.67
Al United States(1/21)	232.88	231.42	232.05	233.63	1120.67	511.2	608.3	610.3	615.80
Al Venezuela					NYSE 1978				
BEL20(1/16)	1292.88	1291.52	1291.06	1292.77	1120.67	511.2	608.3	610.3	615.80
Brazil					NYSE 1978				
BSE Comp(1/16)	948.00	9514.00	9317.0	9555.00	1120.67	2226.50	2251.00	2285.50	2301.50
BSE SENSEX					NYSE 1978				
Canada					NYSE 1978				
Canada Comp(1/16)	3622.55	3615.55	3640.01	3661.76	10387	1861.18	1875.15	1875.54	1844.12
Canada S&P500	819.79	816.95	840.39	838.20	10387	571.2	571.2	571.2	571.2
Canada S&P500(1/16)	578.55	576.05	576.59	576.59	10387	571.2	571.2	571.2	571.2
China					NYSE 1978				
China S&P500(1/16)	332.55	334.25	334.59	334.59	10387	571.2	571.2	571.2	571.2
Denmark					NYSE 1978				
Denmark Comp(1/16)	54.76	54.85	54.27	55.48	1120.67				
Dutch					NYSE 1978				
Dutch S&P500(1/16)	259.29	263.63	257.10	260.35	1120.67				
France					NYSE 1978				
France S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany	354.62	352.22	351.80	352.63	10387	571.2	571.2	571.2	571.2
Germany S&P500					NYSE 1978				
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
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Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
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Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
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Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36	10387	1403.39	1425.17	1425.17	1425.17
Germany S&P500(1/16)	1771.85	1774.52	1761.10	1815.36					

FT GUIDE TO THE WEEK

MONDAY 17

Euro coins on the table

EU finance ministers review the design of the future euro coins in Brussels. The final look and shape of the eight coins that will circulate in the EU following monetary union will be decided in May, after a public poll and hearing views from vendors and other interest groups. However, the countries must first meet the Maastricht treaty targets for EMU, and today ministers will be examining budget programmes submitted by the driving forces behind the single currency project - France and Germany.

IDB meets in Barcelona

About 4,800 bankers, government officials and others are expected to attend the Inter-American Development Bank annual meeting, this year in Barcelona. The meeting itself, which has been preceded by seminars on issues such as Latin America's urban problems, is expected to produce few decisions of importance. More crucial is what goes on in the corridors and the hotels. The main question is: how long can the current financial market enthusiasm for Latin America last?

Gerry Adams snubbed

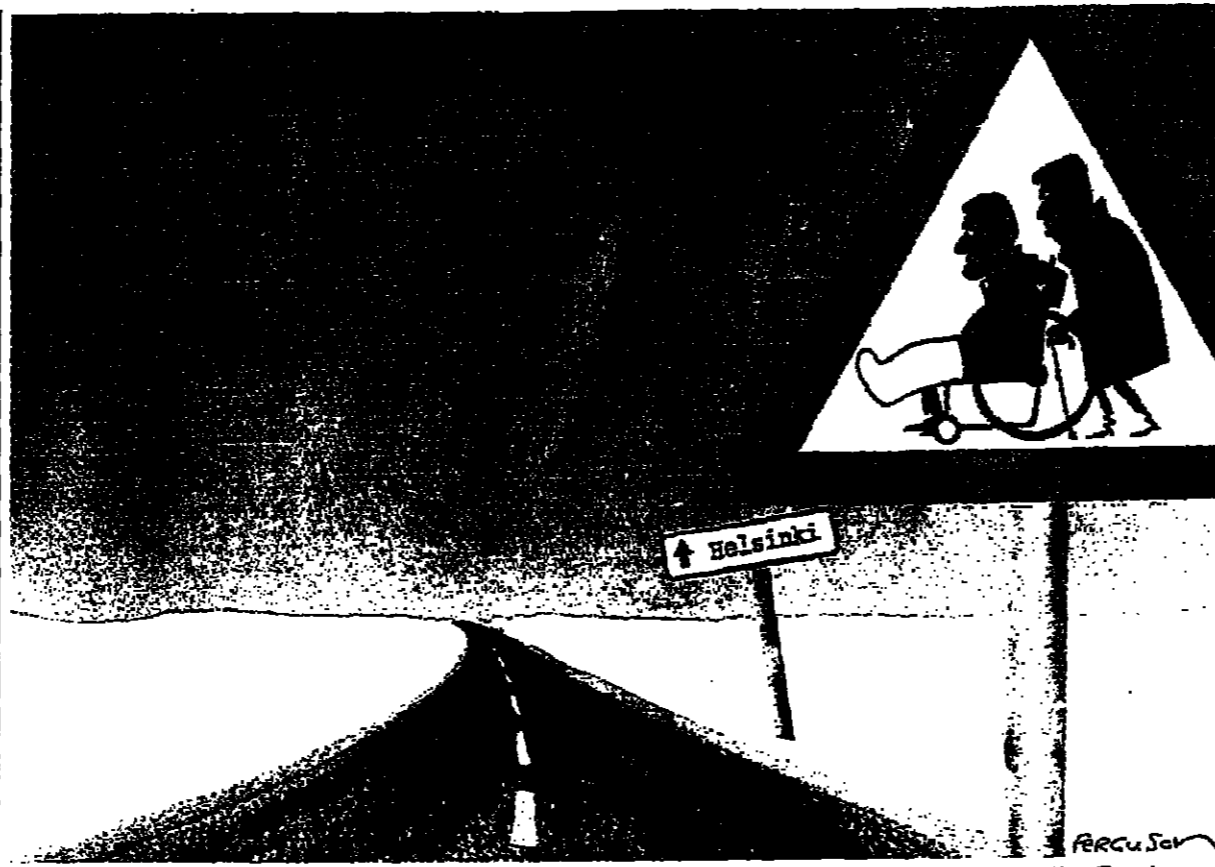
Political leaders from both parts of Ireland - North and South - gather in Washington for the annual St Patrick's Day party at the White House. There will be one notable absentee. With the resumption of IRA violence, the US administration of President Bill Clinton has indicated that Gerry Adams, the president of Sinn Féin, the political wing of the IRA, will not be welcome.

Dutch seek beef deal

The Netherlands will seek a deal on a new system for labelling beef in the EU, as well as an identification regime for cattle, at a meeting of EU farm ministers in Brussels. The majority of ministers favour compulsory traders labels showing data on the origins of the meat. However, the UK, Ireland and Portugal oppose compulsory national labelling - which, along with a secure cattle passport system, is considered vital to restoring consumer confidence in beef following the crisis over mad cow disease.

Mining code for seabed

Plans for the exploitation of minerals from the ocean floor will be discussed by the International Seabed Authority, a new UN agency responsible for seabed mining and implementing internationally agreed rules of maritime behaviour (to Mar 27). The authority, at its headquarters in Jamaica, will review a code for the orderly recovery of thousands of



WALKING WOUNDED: Bill Clinton and Boris Yeltsin, the US and Russian presidents, are to begin a two-day summit in Helsinki on Thursday

billions of dollars worth of polymetallic nodules which are lying on the international seabed. The nodules contain copper, nickel, manganese and cobalt.

FT Survey

Switzerland.

Public holidays
Australia (Australian Capital Territory only), Ireland, Northern Ireland.

TUESDAY 18

Challenge to euthanasia

The Australian senate, the upper house of the federal parliament, debates whether to overrule legislation making voluntary euthanasia legal in the Northern Territory - one of the very few places worldwide to permit it. Four terminally ill individuals have taken advantage of the laws since they were introduced in 1996. The legislation has already been overwhelmingly overturned in the lower house.

Japanese wage offensive

Setting the ritual benchmark for the rest of Japan, management and unions of automobile, steel and shipbuilding companies meet for discussions and inevitable compromise on annual wage increases in what is deceptively known as the *shunto*, or spring labour offensive. Toyota's 61,000-member labour union is demanding more than the 2.69 per cent basic wage rise agreed by labour and management last year. Management, however, has indicated that it intends to reward high profitability with bonuses and keep basic wage levels unchanged.

FT Survey

Cayman Islands.

Public holiday

Aruba.

WEDNESDAY 19

Bogsch successor chosen

The World Intellectual Property Organisation (Wipo) is to choose a successor to Arpad Bogsch, Wipo's director general. Ten candidates are in the race to head the agency, one of the few UN offshoots that actually makes money (from patent fees). Bogsch, a Hungarian-born American who has presided over Wipo for nearly 25 years, raised a few eyebrows when he presented a gold medal to the Nigerian dictator, General Sani Abacha. The rumoured favourite is one of Bogsch's deputies, Kamal Idris, of Sudan.

Kidnap congress in Bogota

A two-day seminar opens in Bogota with the aim of developing projects to reduce Colombia's kidnap rate, the highest in the world. Reported kidnaps last year numbered more than 1,300 - and twice as many more are believed to have gone unreported whilst ransoms were secretly negotiated. In about one third of the known cases, the hostage was killed. The victims range from foreign businessmen to local executives and landowners, tourists, and even small landholders and shopkeepers.

Peace push for Zaire

African heads of state are to meet in Nairobi to discuss the secessionist

conflict in Zaire. The country's president, Mobutu Sese Seko, has been invited from France, but it is not known whether he will come. The rebel troops have continued to gain ground from their stronghold in eastern Zaire, although their leader, Laurent Kabila, has not been invited to Nairobi.

France Telecom lines up

France Telecom produces its last full-year financial results before being partly privatised this year. The sale is expected to be France's largest privatisation yet. The hard-pressed centre-right government has a great deal riding on the success of the operation, which should see a first tranche of at least 20 per cent of the shares transferred to private hands.

FT Survey

FT Review of Telecommunications.

Public holiday

Iran, Liechtenstein, Malta, Vatican City, Venezuela.

THURSDAY 20

Clinton/Yeltsin summit

Their ailments permitting, US President Bill Clinton and his Russian counterpart, Boris Yeltsin, meet for a two-day summit in Helsinki. The NATO military alliance's proposed expansion

into former Warsaw Pact countries will top the agenda. Russia and Nato have been negotiating a separate charter ahead of this summer's Madrid summit, when several central European countries are expected to be offered membership. Russian leaders, opposed to Nato expansion, are pushing for concessions. Meanwhile, although Mr Yeltsin appears to have recovered from his heart surgery, Mr Clinton could be forced to delay their encounter because of a knee operation.

Unita rebels in parliament

Members of the National Union for the Total Independence of Angola (Unita) - at war with the government since the Portuguese withdrawal more than two decades ago - take up parliamentary seats in the capital, Luanda. The rebels are to join a government of national unity under an initiative brokered by the UN and envoys from the US, Russia and Portugal. However, the initiative has faltered several times, mainly because of problems in finding a role for Jonas Savimbi, the UNITA leader, and resolving the division of Angola's diamonds.

Renault reports huge loss

Renault, the troubled French carmaker, is expected to report its first loss for 10 years less than a month after provoking the anger of its workforce and the Belgian government by announcing the closure of its Belgian factory with the loss of 3,100 jobs. Some predict the overall loss could be up to FF5bn (£546m).

FT Survey

Executive Education.

Public holiday

Tunisia.

FRIDAY 21

Verdict in Tokyo

Tokyo's district court hands down its verdict in the trial of the former governor of Miyagi prefecture, Shuntaro Hama. Prosecutors are demanding four years' imprisonment and a fine of ¥120m (£612,000) for Hama, who is accused of accepting ¥120m in bribes from a construction contractor, Taisei, in exchange for helping it win public works projects, and from Daishowa Paper Manufacturing, for relaxing legal curbs on its golf course development.

Public holidays

Afghanistan, Azerbaijan, Iran, Iraq, Japan, Kyrgyzstan, Mexico, Namibia, South Africa, Syria, Tunisia, Turkmenistan.

SATURDAY 22

World Water Day

World Water Day puts the sombre question: is there enough? According to the World Meteorological Organisation (WMO), water use has risen six-fold

since 1900, more than double the rate of population growth. With the world's population projected to top 8bn by 2025 from 5.7bn now, freshwater supplies will not be able to keep pace. Already, water pollution kills 25m people every year, a fifth of the world's population lack safe drinking water and half have no adequate sanitation.

Saleroom



Bonhams, the London auctioneer, masterminds the first auction entirely devoted to the Beatles. The sale will take place at the Tokyo Auction House (where Beatles memorabilia is particularly sought after) with a simultaneous live satellite link to Bonhams in Knightsbridge. More than £1m is expected to be raised. Among the highlights on offer are Paul McCartney's gold-plated Hofner violin bass guitar, estimated at up to £150,000; McCartney's handwritten draft lyrics for the song "Penny Lane" (up to £50,000); and the terrace house in Liverpool where Ringo Starr was born (£25,000-£10,000).

Public holidays

Albania, Iran, Kazakhstan, Puerto Rico.

SUNDAY 23

Pakistan looks to Islam



Heads of states of the Organization of Islamic Countries meet in Islamabad. Pakistan is expected to seek backing once again from the Islamic world for the right of self-determination in the Moslem majority Indian state of Kashmir. The meeting, preceding talks between Pakistan and India, offers Pakistan the chance to consolidate support on key issues in its immediate region.

Gore in Japan

Al Gore, the US vice president, visits Japan on the first leg of an Asian tour which includes China and South Korea. Discussions with Ryutaro Hashimoto, the prime minister, and other leaders are expected to centre on the vexed issue of land leases in the Okinawa prefecture, involving 12 US military bases and about 3,000 landowners. The leases expire in May. Mr Gore may also take up Japan's restrictive port practices, in retaliation for which the US has said it will impose sanctions on Japanese ships in April.

Athletics

IAAF world cross-country championships, Turin, Italy.

Compiled by Simon Strong.
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ECONOMIC DIARY

Other economic news

Monday: The markets are keenly waiting for a series of German data this week. The Ifo confidence survey for February is due at some point, having shot up in January from 90.9 to 93.3. Forecasters are looking for further improvements to between 93.5 and 95. Other statistics due out this week include February M3 money supply, February consumer prices and January retail sales.

Tuesday: The central market forecast for the UK's public sector borrowing requirement in February is estimated at £3.9bn after a debt repayment of £5.8bn in January. There were no privatisation proceeds in February.

Wednesday: US consumer price inflation in February is estimated to have remained unchanged at an annual rate of 5.0 per cent.

Thursday: US trade figures for January are expected to show a payments deficit of \$10bn after \$10.3bn in December, with further improvements expected.

Friday: The CBI's monthly trend survey for the UK is likely to have been affected by the strength of sterling.

Statistics to be released this week

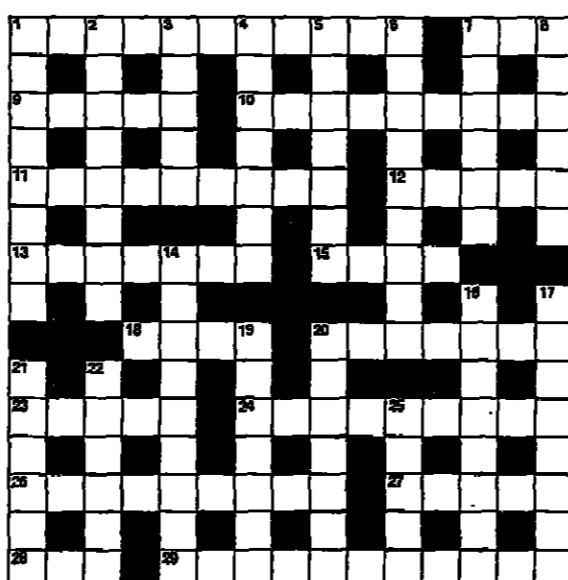
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Jan industrial production		5.3%	Thurs	US	Jan goods and services export (BOP)	\$71.5bn	\$71.4bn
Mar 17	Japan	Jan shipments		5.7%	Mar 20	US	Jan goods and services import (BOP)	\$82.1bn	\$81.7bn
	Japan	Feb money supply (M2+CD)	3.0	3.1%		US	Initial claims March 16	\$15k	307k
	Japan	Feb broad liquidity		3.6%		US	State benefits March 8		2,335k
	Japan	Mar wholesale price ind, 1st 10 days		-0.2%	Fri	US	Feb export price index		0.2%
Tues	Japan	Feb Tokyo department store sales		-1.7%	Mar 21	US	Feb import price index		-0.3%
Mar 18	UK	Feb public sector borrow requirement	£3.9bn	£5.8bn		US	Feb Treasury Budget	-\$44bn	\$13.4bn
	US	Feb housing starts	1.43m	1.35m	During the week...				
	US	Feb building permits		1.40m		Germany	Feb final cost of living, west		0.5%
Wed	UK	Feb unemployment	-37.5k	-68k		Germany	Feb final cost of living, west*		1.8%
Mar 19	UK	Jan average earnings	4.25%	4.25%		Germany	Feb final cost of living, par-Ger	0.4%	0.5%
	UK	Jan unit wages 3M	3.1%	3.20%		Germany	Feb final cost of living, par-Ger*	1.7%	1.8%
	UK	Feb retail sales*	0.3%	0.6%		Germany	Jan retail sales, real not*	1.5%	-4.4%
	UK	Feb retail sales**	3.8%	4.6%		Germany	Jan retail sales, real*	2.1%	-3.2%
	US	Feb consumer price index	0.2%	0.1%		Spain	Jan trade balance	-\$170bn	-\$162bn
	US	Feb CPI ex-food and energy	0.2%	0.1%		Germany	Feb M3 from Q4 96 base	10.4%	11.7%
	US	Feb real earnings		-2.0%		Germany	Feb M3 from Q4 95 base	8.4%	8.6%
Thurs	UK	Feb retail price index*	0.5%	0.0%		Germany	Feb private lending (8mth ann)	7.25%	7.5%
Mar 20	UK	Feb retail price index**	2.8%	2.8%		Germany	Feb 10 business climate, west	93.8	93.3
	UK	Feb retail price index X**	2.9%	3.1%		Germany	Feb 10 consumer climate		91.0
	UK	Feb M4*	0.6%	1.6%		Germany	Feb producer price index*	0.2%	0.3%
	UK	Feb M4**	10.0%	8.8%		Germany	Feb producer price index**	0.8%	0.7%
	UK	Feb M4 lending	\$10bn	\$12.8bn		Germany	Feb import prices*	0.15%	1.0%
	UK	Feb building soc net new commitments	3.4bn	3.3bn		Germany	Feb import prices**	2.75%	2.6%
	US	Jan trade - goods and services	-\$10.5bn	-\$10.3bn					

*month on month, **year on year, seasonally adjusted

Statistics courtesy MMS International

- ACROSS
- MP in better seat (11)
 - Mentor rejected rubbish from subordinates (8)
 - Simple fellow is back on first working day (8)
 - Lawyer with colitis collapsed round mid-afternoon (9)
 - Tear round in institute haggling (9)
 - Greeting everyone in head office (6)
 - Does try rebuilding ruin... (7)
 - ...and not to Frenchman's standard (4)
 - Order it to be put behind side (4)
 - Distinguished musician wants mother to open store (7)
 - Mumble, not first to speak (5)
 - Declare no article in colour will be declined (9)
 - Chest left one fellow introducing twin (9)
 - Rush after black couple (5)
 - Soldiers leave mentor to find hill (9)
 - Seamstresses wanted groom to approach manufacturers (11)

- DOWN
- Meddler buys exploding substance (8)
 - Make smaller company number papers (8)
 - Say writer's turned up for a banquet (5)
 - Stalin treated top Yugoslavian spitefully (7)
 - Chemical element containing a record layer (7)
 - Runner sounding throaty after competition (9)
 - Paid for half bottle of spirit (6)
 - First nuclear missile restricted in width (6)
 - Became a union member more than once (8)
 - Many stakes clumsily stacked round hole (6)
 - Colourful cape for gallantry (8)
 - Drop ruler in bank (7)
 - Polish married woman embraces girl (7)
 - Some home-spun ditties from a learned man (5)
 - Lethargy of union leader in sports disruption (6)
 - Shadowy topless woman going to kinky bar (5)



WINNERS 9,314: M. Acland-Rood, London SW8; J.R. Dore, Kenton, Middlesex; D.M. Macarthur, Clifton, Bristol; Mrs A. Walker, Ecclestone, West Yorkshire.

MONDAY PRIZE CROSSWORD

No.9,326 Set by GRIFFIN

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday March 27, marked Monday Crossword 9,326 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Tuesday April 1. Please allow 24 days for delivery of prizes.

Name: _____
Address: _____

Solution 9,314

AMARANTHUS ATLAS
W O I T A T E R
ADDED NUTRIMENT
R E N E I P O E
DENIGRATED CHEF
A S G N E I
ENTRABLE TIREABLE
O A A A L
UNDERGO SPORING
I S B O D D
PAST OVERCOMING
S I O N I O N
ELECTRONIC AMAZE
N D O U O I T S
TYMERI BONGOSTERS



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Peanuts.



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KAZUO HIRAMORI, founder of Kyocera
KYOCERA, world leader in high-tech ceramics.
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NASDAQ NATIONAL MARKET

4 pm close March 16

[illegible]

12	20	28	28	28	28	Pacific	34	148	83 ¹ ₂	82 ¹ ₂	83 ¹ ₄	+2	US Eng
12	20	28	28	28	28	Pacific	35	1475	88 ¹ ₂	85 ¹ ₄	86		US Pol

$$\begin{array}{r} 12^1_8 \ 10^3_8 \ 11 \ +7_8 \\ 60^3_4 \ 57^1_8 \ 57^1_{16} \ -1^0_{16} \end{array}$$

Chile	75500	113	11	11%	+	+
China	63960	193	22	11%	+	+
Colombia	10500	13	12	11%	+	+
Costa Rica	154	14	15	11%	+	+
Cuba	54	14	15	11%	+	+
Czech Rep.	12948	13	12	11%	+	+
Denmark	32400	52	47	50%	+	+
Dominican Rep.	130	2	12	2	+	+
DRC	22	14	15	11%	+	+
Ecuador	25	14	15	11%	+	+
El Salvador	100	26	45	44	+	+
Equatorial Guinea	33	21	24	24	+	+
Ethiopia	72	19	28	24	+	+
Finland	24	18	46	49	+	+
France	0.20	8	13	19%	+	+
Germany	1.30	11	24	21%	+	+
Ghana	1.30	11	24	21%	+	+
Greece	1.30	11	24	21%	+	+
Honduras	1.30	11	24	21%	+	+
Hungary	1.30	11	24	21%	+	+
India	1.30	11	24	21%	+	+
Indonesia	1.30	11	24	21%	+	+
Italy	1.30	11	24	21%	+	+
Jamaica	1.30	11	24	21%	+	+
Japan	1.30	11	24	21%	+	+
Korea	1.30	11	24	21%	+	+
Laos	1.30	11	24	21%	+	+
Lebanon	1.30	11	24	21%	+	+
Libya	1.30	11	24	21%	+	+
Lithuania	1.30	11	24	21%	+	+
Malaysia	1.30	11	24	21%	+	+
Maldives	1.30	11	24	21%	+	+
Mali	1.30	11	24	21%	+	+
Mexico	1.30	11	24	21%	+	+
Moldova	1.30	11	24	21%	+	+
Morocco	1.30	11	24	21%	+	+
Mozambique	1.30	11	24	21%	+	+
Nicaragua	1.30	11	24	21%	+	+
Netherlands	1.30	11	24	21%	+	+
Niger	1.30	11	24	21%	+	+
Nigeria	1.30	11	24	21%	+	+
North Korea	1.30	11	24	21%	+	+
North Macedonia	1.30	11	24	21%	+	+
Oman	1.30	11	24	21%	+	+
Pakistan	1.30	11	24	21%	+	+
Panama	1.30	11	24	21%	+	+
Paraguay	1.30	11	24	21%	+	+
Peru	1.30	11	24	21%	+	+
Philippines	1.30	11	24	21%	+	+
Poland	1.30	11	24	21%	+	+
Portugal	1.30	11	24	21%	+	+
Romania	1.30	11	24	21%	+	+
Russia	1.30	11	24	21%	+	+
Saudi Arabia	1.30	11	24	21%	+	+
Senegal	1.30	11	24	21%	+	+
Singapore	1.30	11	24	21%	+	+
Slovakia	1.30	11	24	21%	+	+
Slovenia	1.30	11	24	21%	+	+
South Africa	1.30	11	24	21%	+	+
Spain	1.30	11	24	21%	+	+
Sweden	1.30	11	24	21%	+	+
Switzerland	1.30	11	24	21%	+	+
Taiwan	1.30	11	24	21%	+	+
Tanzania	1.30	11	24	21%	+	+
Thailand	1.30	11	24	21%	+	+
Togo	1.30	11	24	21%	+	+
Turkey	1.30	11	24	21%	+	+
Uganda	1.30	11	24	21%	+	+
Ukraine	1.30	11	24	21%	+	+
United Kingdom	1.30	11	24	21%	+	+
United States	1.30	11	24	21%	+	+
Vietnam	1.30	11	24	21%	+	+
Yemen	1.30	11	24	21%	+	+
Zambia	1.30	11	24	21%	+	+
Zimbabwe	1.30	11	24	21%	+	+

Company	bid price	Change	Volume	High	Low	Company	bid price	Change	Volume	High	Low
		on day						on day			
AirTech	US\$8.155	34/76	8.5	8	7.5	Innovative	US\$12.375		22000	12.625	10.5
Aerovox Systems	US\$91.875	45/40	11.375	10.25	9.25	Margat Internatl.	US\$8.875	-0.125	0	11.375	9
Dt Solenoids ADS	US\$62.125	-0.125	0	28	22.75	PhTech	US\$6		0	5.25	4.75
Egint Telecom ADS	US\$12.25		1600	12.5	12						